

FINANCIAL TIMES

THURSDAY MAY 9 1996



Roche

n a world of its own



Cyberbanking Share trading on the Net

Supercomputing Cut price

versions

US tobacco

Self

condemnation Books, Page 14

US groups

to develop

new jumbo

By Michael Cassell and Michael Skapinker in London

General Electric and Pratt & Whitney of the US are to collaborate for the first time to develop

an engine for the new generation of Boeing "super-jumbo" aircraft due to enter service early in the

After six weeks of talks, the

two aero-engina manufacturers

announced yesterday they would develop and market the engine for new versions of the Boeing

747 through a 50-50 joint venture

They said the project, likely to cost up to \$1.5bn, had been discussed with Boeing, which had

urged them to explore a joint pro-

The decision is a potential blow to Rolls-Royce of the UK, which has been mentioned frequently as

a potential merger partner for

team up

engine

next century.

World Business Newspaper

The fate of German shop opening hours could be resolved today when the Bundestag, the country's lower house, finally considers liberalisation. Pressure for reform the the rigid rules has been growing



rocked Britain's Football Association only weeks before it is due to launch the UK's biggest sporting event for 30 years. FA commercial director Trevor Phillips (left) has quit and police are prob-ing the sale of tickets for the European Championships, the association confirmed. The investiga

Trial of ex-Nazi opens: The trial of 82-year-old former Nazi SS captain Erich Priebke on war crimes charges began in a Rome military court. Extradited to Italy from Argentina last year,

duction as a condition of getting the European Union to start lifting its ban on beef products.

Boost for Ericsson: Swedish telecoms group to SKr1.55bn (\$227m), thanks mainly to a 36 per cent jump in turnover by its mobile products divi-

Protesters fight police: German anti-nnclear protesters fought police in the northern town of Danneberg in a last-dirch attempt to prevent s nuclear waste shipment reaching a depot in north-ern Germany. Several demonstrators and police were seriously injured. Page 3

its from A\$251m (US\$200m) a year earlier to A\$77m. due mainly to a A\$204m abnormal item. Page 23

Profits fall at UK supermarket: British supermarket group J. Sainsbury announced its first drop in underlying profits in its 22 years as a public company. Pre-tax, pre-exceptional profits fell from . £808m to £764m in the year to March 9. Page 17;

Slovak privatisation shelved: Slovak prime tion of the country's main banks indefinitely. Page 2

Vietnam contracts on hold: Four telecoms contracts totalling some \$1.4bn appear stalled because of Vietnamese worries about letting for-eigners into the sector and a shift in the country's revenue forecasts. Page 6

Israel and UN at loggerheads: Israel clashed with tha United Nations over a UN report that ques tioned whether Israel's bombardment of a UN base in Lebanon last month was an accident. More than

should bear more of the costs of liquidating the country's bankrupt housing loan companies, prime minister Ryutaro Hashimoto said. His call signalled

3200 338

garanti in

Swissair monopoly may go: Switzerland wants to end the its national carrier's monopoly in domes-tic air traffic following Swissair's decision to con-

vanmaker LDV is looking for a development partner, possibly in Asta. LDV has risen from the ashes of the former Leyland Daf group. Page 12

information company, is to launch a joint venture in Japan with trading company Mitsui and Nihon Keizal Shimbun (Nikkei), publisher of the leading Japanese business newspaper. AOL's third quarter revenues leapt 185 per cent to \$312.3m. Page 17

challenged the Republican majority in tha US Congress to pass the necessary legislation without "poison pills" that would ensure his veto. Page 11

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in Cape Town

Calebrations to mark the

adoption of a new constitution by

South Africa were marred yester-

day by a further sharp fall in the value of the rand and fears that

the government of national unity

could soon fall apart.
The rand which opened in

Johannesburg et R4.35 to the dol-lar, later fell to a new low of R4.48, while industrial shares

Mr F.W. de Klerk, leader of the National party, told the constitu-tional assembly his organisation

would next week review its posi-

tion as e junior partner in the government because of dissatis-faction with some clauses in the

The assembly's vote came two

years after elections which ended

tha country's apartheid regima and brought President Nelson

Mandela and the African

The National party voted for

the new constitution, which

passed by 421 votes to two, with 10 abstentions. But Mr de Klerk,

National Congress to power.

closed at a five-month low.



Rand falls

amid fears

of disunity

in S Africa

who is also deputy president,

expressed reservations about sev-eral clauses and complained that the ANC had used its majority to

dominate the negotiating process.

the death knell of multiparty par-ticipation in decision-making at the executive level," he said. His remarks reflect the sharp

divisions within his party over

compromises struck with the ANC during hectic last minute negotiations. There was particu-lar concern over the clause which

says no provision in the section

on property rights "may impeda

and other measures to achieve

land reform or equitable access

This follows e clause allowing

individuals or communities to

seek restitution for property

seized under "past racially dis-

criminatory laws or practice, which has raised the strongest fears among the farming commu-

nity, an important part of the

The ANC refused, however, to

National party's support base.

accept any wording which would have legitimised land seizures

to natural resources".

state from taking legislative

the

"This new constitution rings



De Klerk angry over new constitution

Sharp divisions with ANC

Technology, Page 24

German MPs to debate shop hours reform

for years and leading economics institute Ifo has said it could create up to 50,000 jobs at a time of record unemployment. Page 3



tion is said to focus on corporate hospitality tickets rather than tickets for sale to the public. Page 16

Priebke is accused of helping the massacre of 335 Italians in caves outside Rome in 1944. Page 2

EU seeks tougher controls: Britain has been told to toughen controls on gelatin and tallow pro-

Ericsson boosted first-quarter profits by 28 per cent

Newscorp shares fell almost 3 per cent after Rupert Murdoch's media and entertainment group reported e sharp drop in third-quarter after tax prof-

100 civilians were killed. Page 4

Hashimoto in call to banks: Japanese banks that the government may change its plan to spend public money on the liquidation. Page 4

centrate international flights on Zurich. Page 2 UK van maker seeks partner: British

America Online, the US consumer online

Clinton challenge: President Bill Clinton

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Mr Foriel-Destezet

FT/SP-A WILL INSIGHS. Gold Merkets

the merger.

LONDON - LEERS - PARIS - FRANKFORT - STOCKHOLD - MADRID - MEN YORK - LOS ANGELES - TORTO - HORE KOME

Nelson Mandela (left) with F.W. de Klerk (centre) and Constitutional Assembly chairman Cyril Ramaphosa after South Africa's new constitution was approved in Cape Town

and other actions committed dur-

ing the apartheid era.

Foreign and local investors were unsettled by the disputes.
The overall stock index ended 80.5 points weaker at 6,795.6, while the industrial index slipped 203.6 points to 7,939.6. Gold ahares were a safe haven for investors, with the sector adding 2.5 per cent and rising to a 17month high.

The problems of the rand were highlighted by an announcement divided over the compromise last night from the Reserve Bank struck on education. Most mem-

that gold and foreign exchanges reserves fell last month by R23hn to R11.7hn, mainly as e result of efforts to calm the currency markets.

The fall makes it even less likely that the Reserve Bank could recommend any easing of foreign exchange controls, the removal of which have prompted much of the speculation against the rand.

The National party was also

to accept a worling which allows Afrikaans to be used as the sin-gla medium of tuition only where reasonably practical" and with "regard to appropriate alter-

leave the government, but Mr Mandela stressed yesterday that the ANC's entire strategy was not to abuse its power.

> Rands and sentiment, Page 4 Editorial Comment, Page 15

bers were unhappy with having

Mr da Klerk has threatened to over the next few months.

engina's technical specifications and the structure of the joint venture. Management for the venture will be held solely by the two partners, although they said additional revenue-sharing par-tisipants would be considered for the

the programme.

They confirmed the previously stated intention to have the

engines on sale by 2000. Boeing has said it wants to begin work on new versions of the 747 by the end of the year

engine in a timely fashion and at a significantly lower cost".

Continued on Page 16

Brussels seeks more power to combat fraud By Bruce Clark in Brussels Criminal gangs operating across national borders cases where dairy products or

The European Commission said authority to combat the mounting threst posed by organised crime syndicates, which were operating across national boundaries and were intent on defrauding the European Union.

Ms Anita Gradin, the commissioner responsible for fighting fraud, said 4,750 cases of malpractice, involving Ecul.15bn (\$1.42bn) or 1.4 per cent of the budget, had been reported to the Brussels executive last year. This compared with 4,130 cases, involving Ecul.09bn, in 1994.

But the Commission's 1995 report on fraud said tha most disturbing development was the

huge damage done by a minority

By David Buchan in Paris

Two European employment agencies - Ecco of France and Adia of Switzerland - plan to merge, forming a group with sales of about FFr32bn (\$5bn) a

year which will challenge the US

company Manpower for world leadership of the sector.

Under the deal announced yes-

terday, Adia will absorb Ecco by

offering 1.028 shares for each Ecco share, with a limited cash

alternative. The company will be

Swiss, but will be renamed and quoted on the Paris, Zurich and

The move comes as demand for

temporary staff, particularly in

accounting, computing and engi-

neering, is growing fast as com-

panies seek to expand or restruc-tura without increasing

The merger will put the group

level with Manpower, the current

leader with 8 per cent of the

world market in personnel ser-

vices if Manpower's franchises

There is no agreement yet on

the name, except it should reflect

the two existing brand names.

New York stock exchanges.

permanent overheads.

are taken into account.

yesterday it needed greater of large-scale swindlers; some 10 tutions were involved. She said als and on olive oil subsidies per cent of the cases accounted sectors where levels of fraud

for half the money lost. Ms Gradin said the agricultural budget, which accounted for about half tha frand cases, was being cheated by criminal gangs" which also specialised in the drugs trada and money-laun-dering. "We are struck by the dering. "We are struck by the fact that there is more and more

organised crime," ahe said, adding that many crime syndicates straddled national borders and could not be countered by individual nations acting alone. Ms Gradin aaid more of the responsibility for fighting fraud should be a core function in

which all European Union insti-

European job agencies plan

merger to rival world leader

Adia, with turnover of

SFr3.66bn (\$2.94bn), is smaller

than Ecco which had sales of

FFr20.5bn (\$3.97bn) last year but the Swiss structure has been cho-

sen for the new group. Adia is listed on more exchanges than

Ecco, its share price has recently performed better, and its public

shareholders were felt to be more

sensitive over a foreign takeover

The chairmen of tha two companies will alternate as president, Mr Philippa Foriel Destezet of

Ecco will hold the job for the first year, followed by Mr Klaus

Jacobs of Adia. Mr Foriel-Deste-

zet and Mr Jacobs control.

respectively, 46 and 53 per cent of

their companies and have pledged to remain long-term

shareholders of the group.

The naw company will have

combined revenues of about

FFr32bn after Ecco sells its small

security and cleaning business to

The two companies see poten-

tial growth from gradual labour

deregulation in leading econo-

mies such as Germany and

Japan, where temporary employ-

ment has been costly or difficult CONTENTS

than Ecco'a.

the issue of fraud was bound up with that of maintaining the internal market, which was part of the core institutions' job. Most co-operation in the fight against crime takes place under the poorly functioning "third pil-

the EU's 15 members. The 1995 report showed a decline in the value of newly detected fraud cases in the farm sector - to Ecu316m, compared with Ecu489m in 1994 - and said this partly reflected reforms in the Common Agricultural Policy. Because of these reforms, expenditure on export refunds for cere-

The companies claim a geo-graphic fit. Adia's main strengths

are in the UK, Germany, Switzer-

south-east Asia. Mr John Bow-

of Adia, will assume that role in

On the basis of their 1995

results, the combined net income

of the companies was FFT1.07bm

At a Paris press conference, Mr Foriel-Destezet and Mr Jecobs

claimed the merger would bring

savings of FF785m a year from

rationalising operations and marketing.

Despite claiming an additional

one-off tax saving of FFr210m

from the merger, planned to be completed in late July, the com-

panies warned that the new

group would show a net loss for

1996. This is because of the need,

under American accounting rules

which the group will adopt, to

write off goodwill arising from

the new group

lar" which brings together the interior and justice ministries of although it added that this might reflect a tightening of member states' obligations to report fraud as soon as it was discovered. As an example of cross-border

were high - had been reduced.

structural funds bad risen

sharply from Ecu21m in 1994 to

Ecu67m in 1995, the report said,

sugar from central and eastern market without being subject to duty. This was often made possi-ble through the abuse of transit However, the reported value of fraud cases related to the EU's .

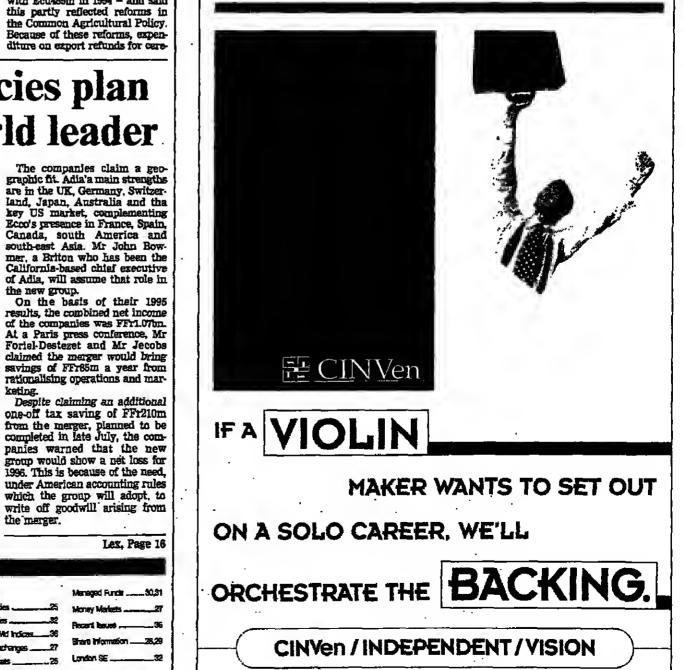
The Commission aaid 4,000 calls had been received on an anonymous telephone line established last year on which sus-pected fraud could be reported. About 200 cases had been investigated leading to the discovery of Ecu30m of embezziement.

Howaver, Rolls-Royce last night said, it hoped to offer one of the existing Trent family of engines - or s variant - to power both the proposed 747-500, an extended range version of the 747-400, and tha 747-600, a stretched version carrying up to 540 passengers. GE said talks on the location and the precise workings of the new company would take place The companies are defining the

Pratt & Whitney.

Tha partners claimed the engines would offer Boeing and the airline industry "the best

GE and Pratt & Whitney have both complained about the cost of developing engines and have said it would be preferable for



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Russia expels

Estonian envoy

Russia yesterday expelled an Estonian diplomat from Moscow

Russia yesteroay expensed an Estonian diplomat from Moscow for alleged spying, heightening tensions with its Baltic neighbour and starting another diplomatic row. Russian officials said the move followed an Estonian request

to withdraw one of their diplomats from Tallinn after allegedly indulging in activities "incompatible with their diplomatic status". "In other words, this can be described as retaliation,"

Earlier this week, the Russian authorities threatened to expel up to nine British diplomats following the arrest of an

in Moscow yesterday to attempt to resolve the stand-off.

dleged informer. British embassy officials held further talks

Neither side commented on the substance of the talks. But it appears likely the Foreign Ministry will soften calls from the

FSB. Russla's counter-intelligence service, to expel up to nine

diplomats. The FSB last month arrested a Russian national

Russian foreign ministry official said yesterday.

EUROPEAN NEWS DIGEST

Banding together Emu's outsiders

The concept of a new ERM is broadly agreed; the details remain to be thrashed out

By Gillan Tett.

Mr Yves Thibault da Silguy. the European Uniun's monetary commissioner, meets British officials today in London keen to market the merits of a new exchange rate mechanism linking countries outside the planned European monetary union with the proposed single

His visit comes as the new ERM concept is gathering momentum. Expectations are growing that both Italy and Finland will join the existing ERM this summer. Broad agreement has emerged among European leaders not only on the need for a new ERM if Emu occurs in 1999 but also on some

principles onderpinning it.
The European Monetary Institute, forerunner of a future European central bank (ECB), hopes to thrasb out many details this summar. However, there is a consensus among Europe's central bankers that any new ERM should be based around loose bands, with some currencies operat-ing in narrower bands if they

The width of the broad bands is thought likely to be similar to the current 15 per cent, with smaller bands of about 2.5 per

On the face of it, this would leave a future ERM looking little different from the present one – with the key distinction that ERM currencies would be

anchored around the euro, rather than each other But the expectation is that the national banks of currencies under attack would have to bear much of the responsibility for intervention rather than relying simply on the ECB to bale them out.

This would not preclude some assistance from the ECB. But calls from such countries as France for a rigid system of intervention commitmenta look set to be squashed. Nevertheless, if the ECB's intervention commitments are

limited, then one of the key bargaining points this summer will be how much power it will have in setting ERM rates. Many bankers currently think that the ECB, rather determine ERM levels. The hope behind this is that costly intervention can be avoided by making the system as market credible as possible.

than national banks, should

Bnt another way bankers hope to avoid instability is hy putting pressure on countries to avoid economic policies such as excess deficits - that might expose their currencies to attack. Details have yet to be thrashed out.

The French, for example, want to guard against devaluation through threats to pay EU funds in national currencies, rather than the euro, and to reduce structural funds to EU members who run deficits.

The Commission will produce a report on the these

Inister Vaciey Klaus:

Czech right reaps reward

n the days when political to which disgruntled voters leadership, and a half-hearted prisoners languished in can turn. The failure of the campaign has seen its support

KSCM to reform itself meant

that the left has developed in a

different way than in Poland or

Hungary, where ex-Commn-

nists have returned to power in

of things going right

Czech centre-right: on course for victory

ideas hy the next formal meet-ing of EU ministers in the sum-

many member states and are regarded with scepticism hy some key Brussels officials. Another idea, proposed hy the Commission, would be to bolster existing measures in the Maastricht treaty which allow (in a very vague form) for surveillance and sanctions

sive deficits. The Commission partly hopes to use this to counter German proposals for a fiscal "stability pact" for the euro area. But it also hopes it would make the ERM more credible, arguing that better surveil-lance of countries' monetary

The main parties: latest opinion polls

Civic Democratic party (ODS) 27.0%

campaign has seen its support

slip from a peak of 24 per cent

last summer to 20 per cent

now. Given the public animos-

ity to the Communists, a coali-

tion with the KSCM is out of

Mr Klaus, who leads the

Civic Democratic party, the

country's dominant political

force, has created a wide con-

sensus for reform through a

mix of innovation and pragma-

apy, the death-knell of reform-

ers in Poland and Hungary,

and kept voters on-side through free mass privatisa-

tion and property restitution

combined with rent controls and artificially low energy

prices, ensuring that the tran-

sition has been quite painless.

possible by the country's social

slant. There is no angry small-

farmer lobby as In Poland, and

the government has been care-

ful not to alienate pensioners.

Blue and white-collar workers

alike own a stake in the econ-

omy as a result of mass privati-

The mood of the country is

now firmly in the conservative

camp, and continuity is the

theme of the election cam-

paign. "It is very difficult for

[the left] to win votes in a

country where most things

have gone right since 1989," Mr

If there is to be a swing to

the left it could happen during

the lifetime of the new parlia-

ment. Some tough decisions on

deregulating important areas

of the economy, especially

energy prices, remain to be

tackled. Faster industrial

restructuring is likely to push unemployment much higher

These developments will

have a sharp impact on

incomes and could sharpen

social divisions, perhaps fuel-ling the kind of backlasb that

saw Poles and Hungarians tire

of reform. But in the view of

Mr Pebe: "There may be a nat-

ural swing to the left, but it

than the current 3 per cent.

sation.

Pehe notes.

This consensus was made

the question.

B.5%

8.2%

43.7%

20.5%

27.7%

6.6%

Civic Democratic Alliance (ODA)

Christian Democrats (KDU)

Social Democrats (CSSD)

against countries with exces-

and budgetary policies could

The prospect of national hndgets being scrutinised by fel-They are fiercely opposed by low member states - or the Commission - is controversial in countries such as Britain. But most European central bankers regard some form of policy surveillance as desirable although how the ECB would relate to other European institutions in this is unclear.

As one banking official says: Surveillance is a lot cheaper than intervention.

It is these subtle issues of surveillance, rather than eyecalching questions of currency bands, which are likely to provide the real meat for debate over the rest of the year.

wins high credit ratings

East Europe Correspondent

The leading US and European credit rating agencies have given Slovenia, the most developed of the former Yngoslav republics, the highest initial ratings of any of the former

Standard & Poor's and Moody's of the US, and the European agency IBCA all said yesterday they had placed Slovenia in the "A" category at the same level or slightly above the Czech Republic, previously the most highly rated

This provides important sup-port for Slovenia's strategy of huilding an independent presence in the international capital market and will belp lower financing costs. It is the first of the former Yugoslavia states to obtain a credit rating, but could be followed by Croa-

will be lead manager.

cial moment for Slovenia. It is trying to implement a land-mark deal with the commercial banks for its share of the foreign debts of former Yugoslavia, in the face of legal action by Belgrade to try to

IBCA said that despite the uncertainty created by the litigation, the foreign debt agreement had set a model for the other former Yugoslav republics to follow and had been supported by the International Monetary Fund.

It warned, however, that the rating was constrained by the inflation and the need to implement wide-ranging publle sector reforms, in particular pensions and healthcare.

The ratings are independent evaluations and allow inves-

only Slovenia and the Czech Republic have received investment grade ratings from all three agencies, signalling only a very modest risk of default.

Slovakia and Poland both have the lowest investment grade rating of "BBB-" from S&P and Moody's, while Hungary has the same rating from IBCA. Other ratings for Poland, Hungary and Romania are all in the non-investment or speculative grade category.

whom it alleged was passing classified information to British agents and accused nine embassy staff of spying. Expressing a personal opinion, Mr Mart Helme, the Estonian ambassador in Moscow, said Russia's security service, the FSB, might be using the "Estonian card" to defuse the row Slovenia

By Kevin Done,

Communist economies of cen-tral and east Europe.

of the transition economies.

tia later this year.

The Republic of Slovenia is planning its maiden issue of around \$200m in the Eurobond market in July: JP Morgan

The ratings come at a cru-

halt the deal.

Slovenia is the only one of the transition economies to hold "A" category ratings from all three agencies

S&P said that its rating reflected the country's "track record of responsible and consistent economic management, in particular tight monetary and fiscal policles, which resulted in an impressive and early stabilisation of the econ-OMY".

It forecast growth of 5-6 per cent in gross domestic product in both 1996 and 1997 led by strong investment in the rapidly expanding private sector, the revival of tourism and the resumption of economic relations with the other states of former Yugoslavia. S&P assigned the Republic

of Slovenia its "A" rating for foreign currency debt and "AA" for local currency debt, while the other two agencies gave ratings one notch lower at "A-" for IBCA and at "A3"

for Moody's.

Slovenia, which is rated by
S&P and IBCA at the same
level as the Czech Republic, is placed ahead by Moody's, which rates the Czech Republic at Baal, one notch lower than Slovenia.

tors to compare the creditworthiness of different debt issues from different countries and Of the transition countries of central and east Europe

Economic gloom besets EU

Economic sentiment within the European Union showed little sign of improvement in April, with consumers still hampered by worries over jobs and the state of their economies, the European Commission said yesterday.

John Thornhill, Moscow

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- :

The Commission's monthly economic surveys, one of the most comprehensive barometers of public opinion within the EU, found a slight fall in sentiment in the industrial sector where a modest rise in France was offset by further weakness

The Commission's preliminary figures for capacity utilisation in the EU showed a decline of one full point between January and April. There was also a worsening in employment expectations in the construction industry. Consumers, meanwhile, continued to display a lack of confidence in the so-called "general economic situation" and offered a dim assessment of future employment prospects. The worsening in the jobs outlook was most noticeable in Germany, France and Greece.

Italy's farmers in policy protest

Tens of thousands of farmers from north and central Italy gathered in Milan's cathedral square yesterday to protest against what they see as government indifference to the plight of agriculture. The three main federations representing owners and

workers said some 100,000 people took part in the march and rally, making It one of the biggest protests by farmers in recent times. Other demonstrations are planned for southern taly and Rome. The farmers called on the next government, which should be

formed later this month, to institute a more concerned policy of agricultural development. Yesterday's demonstration was also marked by deep concern about the UK scare over "mad cow" disease. Although the disease has not been detected in Italian cattle and the import

of British beef products is blocked, the price and consumption of meat products have fallen. Farmers claim the government should have fought harder in Brussels to win compensation for Italian meat producers. "Healthy cows, mad government," was the message on one placard.

Andrew Hill, Milan

Rome trial opens on SS atrocity



The trial of former German Nazi SS captain Erich Priebke. pictured above being escorted into court, opened in Rome yesterday 52 years after one of the worst atrocities committed in Italy during the second world war.

Priebke, 82, is accused of taking part in the Ardentine Caves massacre of 335 Italians in March 1944. He faces life imprisonment if convicted. Priebke's trial follows his extradition from Argentina last November. He is charged with participating with other soldiers in multiple murder aggravated by crueity. He is expected to plead that he was only carrying out orders. The massacre was carried out in reprisal for an ambush by the Italian resistance in which 33 German soldiers were killed and 53 wounded. At a preliminary hearing in April. Priebke blamed the

Italian partisans who set off a bomb in Rome on March 23, 1944, as an SS troop detachment was passing. He said the order to retaliate had come from Hitler himself and if he had not obeyed he would have been killed. Agencies, Rome

Slovakia bank sell-off postponed

The privatisation of Slovakia's main banks, originally planned for the end of February this year, has been indefinitely postponed. Mr Vladimir Meciar, the prime minister, said yesterday. "The original concept bad been clear until the end of February, but then we had to postpone some things and then we began a re-evaluation process," Mr Meciar said. Last January Mr Meciar announced that Slovakia's largest banks Slovenska Sporitelna, VUB and IRB, as well as insurer Slovenska Poistovna, would be privatised by the end of February. But it had been held up due to negotiations on Slovak assets in the Czech Republic. Reuter, Bratislava

German current account surplus

Germany had a current account surplus of DM700m (\$460.5m) in February, compared with a deficit of DM3.8bn in January and a deficit of DM2.3bn a year earlier, the Federal Statistics Office said.

Germany's trade surplus grew to DM8.8bn in February from DM5.2bn in the previous month and DM5.8bn in February 1995. In the two months to February, Germany had a current account deficit of DM3.1bn, narrower than a deficit of DM3.8bn a year earlier. Germany's trade surplus in the two-month period totalled DM14hn, narrower than DM14.5bn a year earlier. The balance of invisible trade in February showed a deficit of DM1.8bn, down from DM4.4bn in January and compared with DM2.4bn a year earlier. AFX, Wiesbaden ■ German industry was working on average at 81.9 per cent of its capacity in March, down from 84 per cent in December, according to the latest economic survey conducted by the leading Ifo economics institute. But new orders for German leading Ifo economics institute. But new orders for German manufacturing industry rose 1.2 per cent in March, faster than expected, the Economics Ministry said. It was unclear whether the improved figures heralded stronger economic growth or were part of a one-off effect.

Michael Lindemann, Bonn Germany's M3 measure of money supply rose an annualised 12.3 per cent in March compared with the last quarter of 1995.

In Fehruary M3 had risen 12.8 per cent.

Greece's share registration row hits bourse

By Kerin Hope in Athens

An attempt to improve companies has backfired, leading to a slump in trading on the Greek stock exchange and uncertainty for foreign compa-

nies working in the country. The bourse authorities have suspended trading in 39 Greek companies involved in large infrastructure projects until their shares are registered in the names of individual

In a move intended to discourage speculation in shares of construction and high-tech companies bidding for public works projects partly funded by European Union grants, the government ruled that shares in such companies must be registered under individual

All 30 construction compa-nies listed on the bourse have had their shares suspended. The authorities say they failed to comply with new legislation giving a May 2 deadline for a switch from bearer to regis-

tered shares. One official said: "The big contractors ignored the deadline, thinking they could use political clout to get a postponement of several months.

This is not the case." Trading volume on the bourse dropped to around a daily average of Dr3.3bn (\$13.5m) this week, compared with around Dr6.6bn last month. Though the sector has lost ground recently because of delays in awarding contracts for EU-financed projects, trading in shares of the 30 listed construction companies still accounted for around 20 per

cent of daily volume in April. The Socialist government intends to make all 200 companies listed on the Athens bourse issue registered shares.

Switzerland's government said

yesterday that it wanted to end

the legal monopoly in domestic

air traffic held by Swissair, the

national carrier, and would lib-eralise its domestic air policy,

The decision was tied to a

recent decision by Swissair to concentrate international

flights on Zurich, making

Geneva a secondary centre for

The government said it would offer more liberal car-

rier rights to non-Swiss air-

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Renter reports from Geneva.

lose monopoly

At present only shares in Greek banks are registered. Construction companies have appealed to their shareholders through newspaper advertisements to hand in their bearer share certificates as soon as possible and register for new ones. Investors are being warned that unless they do so, they will be unable to sell their shares or claim 1995

Trading in construction shares may be frozen for several weeks until a majority of companies have made the

changeover. Brokera complain that the new legislation does not make clear whether institutional investors and foreign companies can claim exemption from registering their shareholdings under an individual name and use a company name, in line with securities regulations in the rest of the European

An Athens broker said: "The move for more shares to be registered is good news for the bourse. But in Its present shape, the new law implies discrimination against interna-

tional investors." One company affected by the legislation is Ericsson of Sweden, which holds an equity stake of about 10 per cent in Intracom, a Greek telecoms equipment mannfacturer which is one of the biggest suppliers to OTE, the state telecoms monopoly.
International institutions

also have shareholdings in Aktor and Helleniki Technodomiki, two large Greek construction companies which are participating respectively in International consortia awarded contracts to build a Dr450bn toll highway as part of a ring road for Athens and a Dr210bn bridge in western

lines in exchange for reciprocal

would have to be negotiated, it said. The liberalisation would

also affect Geneva airport.

This exchange of rights

Swissair responded by say-

ing that it welcomed the gov-

ernment's plans to end some restrictions on rival airlines

try. A spokesman said the air-

line was in favour of the move,

which was likely to lead to more rights for Swissair within

Europe. Swissair could

the rest". The party's appeal now is to pensioners and those who genuinely long for the old days, and it has a core 8 per cent support base. But, in a country with a tradition of social democracy dating from 1878. with a brief but much recalled

which is in the middle of a conservative revival, Mr Greninism is small. The Czech Republic is rare in

the region in not having a

Now, Vaclav Havel, the counrecent elections. try's most famous political President Václav Havel prisoner, occupies the presi-dency in Prague Castle, and described the pre-1989 Communist party as "one of the most the Czech Communist party conservative and most scle-(KSCM) has fled to one floor of rotic" of the eastern bloc's leaderships at the time. After

a grimy old palace on Political Prisoners Street, the resonant new name of a traffic-choked alley off Wenceslas Square. Defiantly keeping its name and neo-Stalinist ideology, the KSCM is on the margins while the country undertakes suc-cessful economic reforms

under its prime minister, Mr Václav Klaus. Through its failure to reform it has also found its political constituency taken by the Social Democrats (CSSD), the traditional party of the left in Czech politics.

Czechoslovak jails, the

Communist party was ensconced in an enormous riv-

erside headquarters on the

edge of Prague's Old Town.

As opinion polls bear out, the Czechs look set to return the centre-right coalition in a general election on May 31 and June 1. If they do, they will break a recent cycle that has seen reformera ousted and "post-Communist" governments returned to power across central and eastern

Mr Miroslav Grebeniček, the KSCM leader, still espouses collectivisation and a powerful state, and claims the events of the past six years have created freedom and democracy for the rich and bureaucracy for

period as a prosperous democracy from 1919 to 1938, and beniček admits the market for unreconstructed Marxism-Le-

The mood is conservative, and continuity is the theme of

the election, writes

Vincent Boland

the Prague Spring was crushed by Warsaw Pact troops in 1968 the new leadership abandoned all attempts at "goulash com-munism", and reformers were After the Velvet Revolution

in late 1989 a few young reform-minded members either quit politics or joined the new parties that emerged to fill the political vacuum. Mr Vladimir Dlouhy, the present industry minister and a member of the centre-right Civic Democratic Alliance, is a prominent exam-

The re-emergence of the CSSD quickly filled the vacuum on the left, says Mr Jiří Pehe, a political analyst at the Open Media Research Institute. causing a further crisis for oldstyle communism. Prominent in the First Republic from 1918. the CSSD was the second-biggest party in the election that brought the Communists to power in 1948 but was then

Now it is again the secondbiggest party running in the election, offering a left-of-centre alternative to the governstrong post-Communist party ment. But it is beset by weak will be gradual."

High German levies lead Michael Jackson to call off his visit

Tax strikes sour note with singer

By Wolfgang Münchau in Frankfurt

the European Union.

Pop star Michael Jackson has pulled out of the German leg of his forthcoming European tour because of the level of tax the government levies on box

office receipts.

Special tax rules for foreigners in the 1996 tax law would have forced Mr Jackson to pay more in tax than he would have received in earnings.
It is one of the toughest tax
regimes ever introduced in

Germany, and hears testimony to the finance ministry's considerable skills in inventing new taxes and changing existing ones. Mr Jackson's decision high-

lights a problem faced by a

large number of foreign artists

year, when the government causes massive cash flow probintroduced the law.

Tax experts representing the music and entertainment industry have been pressing Boun to soften the new rules. Mr Richard Rees-Pulley, of accountants Touche Ross pased in London, even claimed the new tax was to breach of the Treaty of Rome. "The Germans are behaving unconstitu-

tionally," he said "The music industry in this country feels that Germany is the toughest on this issue and the worse behaved of all." He said the new tax regime was rigid and unrealistic. The tax was raised on a nominal profit not the real one.

"This is not some wealthy

musician whingeing. The like-

lihood is that less and less peo-

since the beginning of the ple will tour in Germany. It

lems. For baby bands trying to break in, the profits are very slender. They could end up making a loss." Under the new rules, Germany has not only increased

the withholding tax on box office receipts, but has also prevented artists from offsetting production expenses against tax, allowing only a lump sum. Since Michael Jackson's pro-

duction costs vastly exceed the lump sum allowance provided for by the law, he would have ended up paying more in tax than his net take. Many foreign performers have com-plained that this provision effectively discriminates against foreign performers who have above-average production

increased the withholding tax rate on box office receipts from 15 per cent to 25 per cent. On top of that, artists have to pay turnover tax and the unpopular solidarity surcharge tax. The final tax bill on box office comes to between 29 per ceot and 31 per cent. The gov-erament has hinted that it might be ready to compromise on the new law.

The move has so failed to

Separately, Germany bas

spark a public outcry, since most Germans are more upset about their own tax hill than Michael Jackson's. But the episode is the latest reminder of Germany's high tax rates. The car industry has recently cried foul after the government increased tax on luxury company cars, prompting a 20 per cent slump in sales.

Jest in Sa

Italian party leaders end short truce

By Robert Graham in Rome

The rightwing alliance defeated in last month's general elections last night closed the door on a deal to share out some of the main institutional jobs in Italy with the winning centre-left alliance.

The decision followed two days of intense negotiations in advance of the formal opening today of Italy's 13th post-war parliament. The main post affected is that of speaker of the senate, offered to the rightwing alliance headed by former prime minister Silvio Berlus-

Failing last-minute negotiations to patch up a compromise, the conflict between the two alliance threatens to cast a cloud over the stability of a new legislature where the government will have a narrow

It also makes it unlikely the opposition will be willing to back the barsb budgetary proposals necessary to hring Italy's public finances into line with the criteria of the Maas-

tricht treaty.
In the wake of the April 21 elections, Mr Berlusconi and his colleagues indicated their willingness to establish a harmonious relationship with the governing Olive Tree coalition. But Mr Berlusconi came under attack from hardliners in his Forza Italia movement and from the rightwing National Alliance (AN), who argued they must behave as a tough

indicy protes

110 J. J. J. 3000

opposition and cut no deals. As a result Mr Berlusconi proposed over the weekend that Mr Francesco Cossiga, the former head of state, life senator and one-time senate leader be their candidate for senate speaker. Mr Cossiga is regarded with suspicion hy the left for his controversial role as a former interior minister and while head of state. Thus Mr Cossiga's candidature put the Oliva Trea on the spot and after very little discussion ha was declared unacceptable. But in rejecting Mr Cossiga,

the centre-left placed themselves in the position of being seen to dictate the terms.

It also allowed the right, in the name of fair play, to voice their objections to the Olive Tree's candidate for speaker of the lower house - Mr Luciano Violante, a former magistrate linked to the Communist party. ex-head of the anti-mafia commission and deputy speaker in the last parliament

Mr Violacte, they claimed, was too political a figure, and indeed had been one of the principal persecutors of Mr Cossiga when head of state.

To get round these objections, the Olive Tree suggested that Mr Carlo Scognamigllo, appointed as senate speaker in 1994 by Mr Berlusconi and his allies, retain the job. But having publicly backed Mr Cossiga, last night Mr Berlusconi seemed unwilling to hack down. This leaves the centreleft with little option hut go ahead with their own appointments

 Anti-mafia investigators in Sicily yesterday froze \$640m of assets, including 130 twofamily bomes and 50 apartments, in a crackdown on suspected laundered drug wealth, AP reports from Palermo.

Other assets frozen included 12 offices, eight warehouses, land and 27 bankbooks, whose deposits were not immediately disclosed. Three people were arrested.

The Italian news agency Ansa said prosecutors suspected the wealth was acquired with laundered profits from drug trafficking and other illegal activities of the Cosa

Nostra. The agency said the authorities had been put on the trail of the alleged laundered money whila investigating threats made against a prison chaplain in Termini Imerese, a Palermo suhurh. The chaplain had wanted to establish a rehabilitation community for drug addicts in a residential area whose construction was alleg-edly linked to the Mafia.



CLASHES AT GERMAN NUCLEAR STORAGE PLANT

By Wolfgang Münchau in Frankfurt

A 40-tonne shipment of French-processed nnclear waste arrived at the Gorleben nuclear storage plant in northern Germany yesterday amid some of the most violent anti-nuclear demonstrations ever witnessed in Germany.

Flanked by 15,000 policemen and armoured cars, the shipment was brought to a standstill by a series of clashes that left several demonstrators and police serionsly injured. Protesters threw ball bearings at police and fired flare pistols. while police used batons and water canons. Abont 30 demonstrators were

The police lined country lanes near the medium-term storage depot in Gorleben, 75 miles east of Hanover, and used water

cannon, teargas and clubs against protesters as the shipment, which had arrive by rail from France, covered the last 18km of its journey by road.

Police said the scene at Gorleben resembled a "civil war", adding that the situation was on the brink of threatening the internal security of the country. Politicians from all political parties joined to condemn the violence.

The demonstrations surrounding the shipment have reopened old disputes about Germany's nuclear policies and about policing. The shipment is the first of around 110 taking nuclear waste and fuel back to German reactors over the next eight years.

Senior members of the ruling coalition calling for a clampdown on violent

opposition Greens, a long-standing opponent of the government's nuclear policies, of supporting the violence and poisoning the political climate.

Ms Angela Merkel, the environment minister, said there was "no alternative" to the shipment, since Germany was bound to it hy international law. Mr Guido Westerwelle, general

secretary of the Free Democrats, the junior coalition partner, said that police should take a tougher line against demonstrators. "Germany is not governed

by the law of the jungle," he said.

The Greens condemned the transport as a "provocation" and described police action as "brutally excessive". Both the opposition Social Democrats and the Greens called for an eod to the shipments and a phasing-out of nuclear power.

Turkish MPs set to embarrass ex-PM with new corruption claim

Çiller faces second probe

By John Barham In Ankara

Turkish MPs are expected to vote overwhelmingly today to set up a secood parliamentary committee to investigate corruption allegations against Mrs Tansu Ciller, the former prime

But MPs from her True Path party and the rival conserva-tive Motherland party say the vote will not necessarily lead to the collapse of their frac-tious two-month-old coalition government, even though many Motherland MPs are again expected to vote against Mrs Ciller. Mr Sedat Aloglu, a True Path MP, said Motherland MPs were

playing "a dirty political game" to unseat Mrs Ciller to enable their leader, Mr Mesut Yilmaz, to take control of the centre right, currently divided

between the two parties.

Mr Korkut Ozal, a senior

Motherland MP, said; "I do not think there will be a government crisis soon. The Ciller issue will be accepted by about 300-350 votes, but her people will not resign from the government. They will make the calculation and conclude that it is better to continue."

True Path members agree, because Mrs Ciller is to take over as prime minister in

They also fear Motherland could form a coalition with the domestic domesti

or call early elections. Refah, which narrowly failed to clinch a coalition agreement with Motherland following last December's elections, is tahling a series of investigations hoping their findings will bring down the government.

Today's vote calls for a committee to investigate claims that Mrs Ciller illegally interfered in the privatisation of Tofas, a car maker.

Two weeks ago. MPs - including 29 Motherland members - voted 232-179 in favour of a Refah motion to form a committee to investigate accusations that Mrs Ciller intervened in tenders by the stateowned power company Tedas.

If parliament approves, a special committee will have up to four months to investigate

Parliament would then vote on whether the committee's findings merited sending Mrs Ciller for trial before the high court. If it does, she could be prevented from taking over as prime minister in January, as required by True Path's powersharing agreement with Motherland.

Commentators complain that strife in Ankara is preventing urgent action to tackle Turkey's deteriorating economy, with inflation running at 80 per cent a year and interest payments on the hallooning domestic debt taking up half

German MPs to debate shop hours reform

By Michael Lindemann in Bonn

Germany's lower house of parliament, the Bundestag, will today finally consider liberalising the country's shop opening hours, which have become a hyword for the rigidities of Europe's largest economy.

Pressure for reform of shopping hours has been growing for years, and the current breakthrough is a symbol of the decline of post-war consensus politics in Germany where everything has been done in agreement with the party to get the law this far. trade unions.

It may also be symbolic of Chancellor Helmut Kohl's determination to force through more deregulation at a time when he faces almost unprecedanted protests from a number of social lobbies.

The Ifo economics institute has said reform could create up to 50,000 jobs at a time of record unemployment. Nevertheless. Mr Kohl has had to impose his will on the majority of his

The government unveiled proposals last November, but delayed bringing them to parliament for fear of their impact on Mr Kohl's Christian Demo-crats in the March state elections. The Bundestag will today give a first reading to the legislation, which

is expected to be passed before the summer recess in July.

The majority of the opposition Social Democrats, backed by the trade unions, oppose any liberalisation of

shopping hours, arguing that many of corner shops will be unable to afford the extra staff needed to stay open longer. They believe any jobs created will be part-time and will not come with the full social benefits which the unions are fighting to maintain.

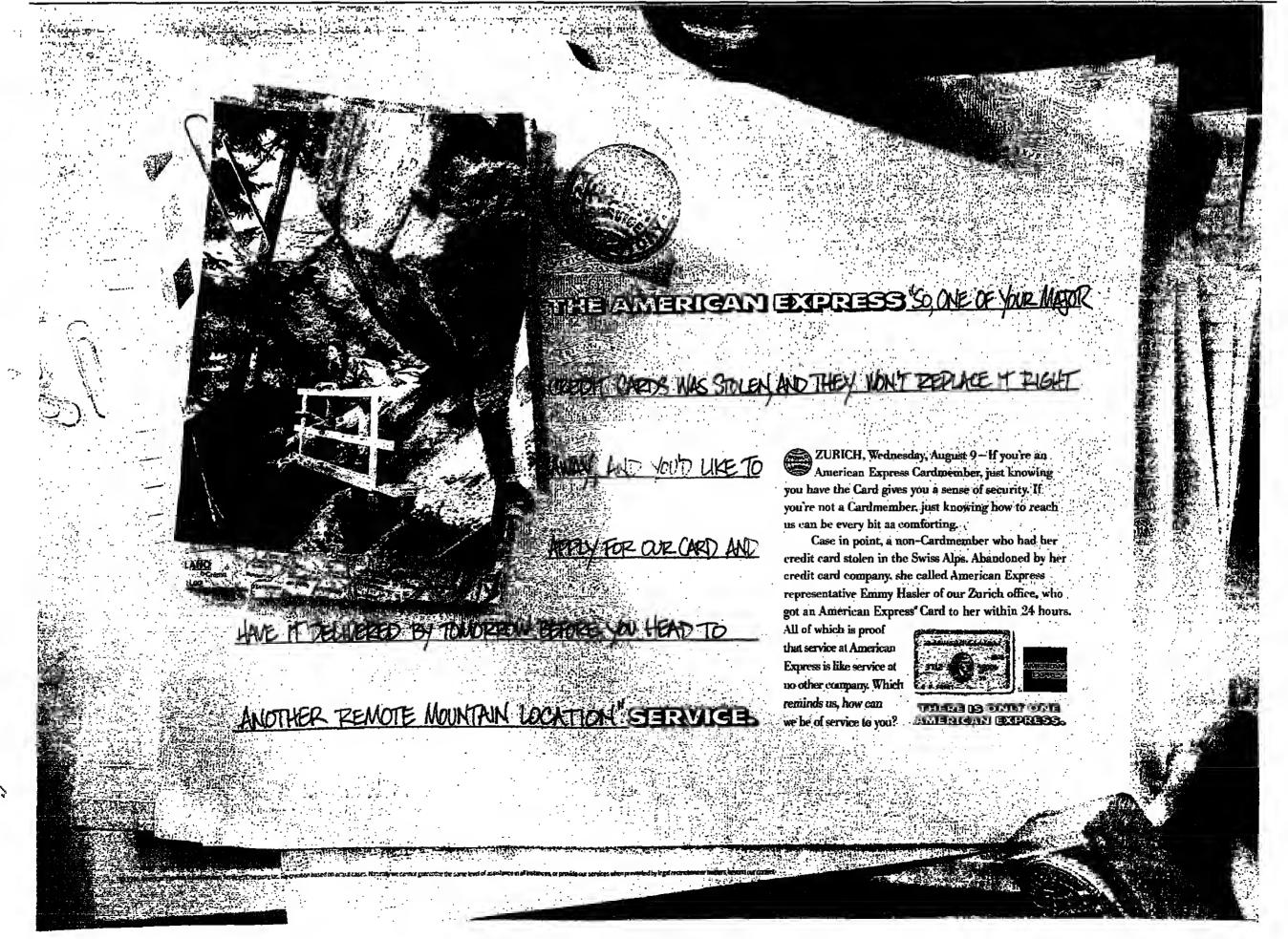
Recent polls indicate most Germans

supermarkets Insist that extended hours are needed to hoost trade. Leading politicians from the gov-ernment last night appeared to hava

by Mr Wolfgang Boetsch, the post want to be able to shop longer and minister. Renter reports. They would abolish the century-old post monopoly at the end of 2002 by gradually introd-ucing competition from 1998.

allow shops to remain open, as planned, until 8pm on weekdays, It would allow the federal states to close shops anytime between 2pm and 4pm on Saturdays, not 6pm as proposed. Plans for deregulating mail delivery services were presented yesterday

agreed a compromise which would



Investors ponder BJP's election lead

India'a 48-hour election results telethon, which began yester-day, was likely to be raising more questions than answers for the investors foreign and domestic, who have relished the Congress government's four and a half years of eco-

The future custodian of economic policy remained unclear as early voting trends emerged. In 203 of 537 seats being counted, Congress led in 82, but faced the loss of 53 seats, iya Janata party led in 44, a gain of seven, while the social justice Janata Dal was 18 seats ahead of its tally in 1991. Indewere also showing gains.

Congress appeared set to win no more than 150 seats. The BJP seemed likely to become the biggest single party. yet emerged from its northern heartland. However, the final tally of

seats, which will determine the shape of an appareotly inevitable coalition government, may not be clear until tomorrow. But if the Bombay stock market is any barometer, investors appeared sanguine about the likely outcome. The henchmark BSE-30 index

Y6,300hn of total costs to be

Last month, government and

opposition parties agreed a

temporary truce in their battle

over the issue, pending passage of the 1996 hudget. The budget

bill is expected to become law

today and attention will then

focus once again on how to set-

tle the jusen problem before the end of the parliamentary

Emiko Terazono adds: Despite improving profitability of Jap-anese banks' core operations.

Moody's, the US credit rating

agency, has offered a pessimis-

tic outlook on the recovery of

The agency said many lead

ing Japanese banks beld risky

assets not yet publicly reported

as problem loans and they

would not be able to overcome asset quality problems before

Investors and industry ana-

lysts have applanded the

aggressive write-offs, but tha agency believes credit risks of

some banks remain, due to

uncertainty over the future

course of core profitability,

the end of the century,

session next month.

the financial system.

Brokers said the market rallied strongly from a 50-point dlp on jitters caused by Tuesday's exit poll abowing Con-gress heading for an histori-cally poor performance. "Then when they thought about things," says Mr Pravin Shah, Morgan Stanley's head of research, "things did not look

The raflection was that should the BJP dominate par-liament and somehow form a government this need not deter investors. "The BJP in India is regarded as a pro-industry, pro-trade party," says Mr Jyoti Jaypuria, Merrill Lynch anawould likely be dispelled by a

The BJP portrays itself as India's original party of free trade and liberalisation; core anpporters are urban, upper caste Hindus who have gained most from reforms. While its "economic nationalism" would stall opening of consumer goods industries to foreigners, it says it welcomes foreign capital into infrastructure and high technology sectors. BJP-led stata governments have generally, after the hiccup of the off-on Enron power project in Maharashtra, striven to attract foreign investors.

will deter the main secular parties and leave it short of a majority. A coalition embrac-ing Congress, Janata Dal, ex-Congress factions and India's communists is deemed likelier. India's markets and inves-

tors have expected some such alignment for months, and viewed the prospect benignly. Congress was the initiator of reforms, went the argument. while state JD and communist governments embraced them. becoming competitive courtlers

But this optimism would dim if Congress performs as poorly as polls predict. A Congress

coalition, and may win political partners only at the price of shedding Mr P V Narasimha Rao, prime minister – and, per-haps, Mr Manmohan Singh, his internationally admired finance minister. Moreover, a coalition where leftist and Janata Dal MPs outnumbered Congress could prove quarrelsome

and indecisive. A weak government depend-ing on parties representing the poor and lower castes would resist subsidy cuts and dislike privatisation, might threaten India's already knife-edge fiscal discipline and perhaps under-mine healthy corporate and

Ex-commercial bankers can

ingly elevated places in Japan.

one of the six largest commer-

cial banks, is one plagued by

Sakura Bank, for instance,

ASIA-PACIFIC NEWS DIGEST

Nissan recalls over 1m cars

Nissan Motor is to recall more than 1m cars to fix potentially dangerous defects, in an embarrassing loss of face for Japan's number two automotive group. Nissan said yesterday it had begun a recall of 1.05m cars in Japan to fix defective seat belts and battery wires, with a further 70,000 affected in the US. The recall is the largest in Japan since the transport ministry began a compulsory system in 1969.

The previous record was set by Toyota Motor in 1970, when it recalled 770,000 cars. Nissan's recall will cover 20 models in Japan, including the Cedric, Bluebird and Sunny, sold between October 1989 and March 1994, the ministry said.

A Nissan official said the US vehicles affected were its Infiniti model made in Japan between July 1992 and March 1994 and exported. The cost was estimated at more than Y6bn (\$57m).

HK acts on radio programmes

radio programmes as part of its review of broadcasting regulations, it said yesterday. The move, which follows a similar measure for television, was in line with a policy of securing freedom of expression. It comes amid increased focus on media freedom as Hong Kong prepares to return to Chinese sover

Under the proposal, to be submitted to Hong Kong's legisla-ture later this month, an ordinance which empowers the Broadcasting Authority to bar radio broadcasts will be repealed. A provision allowing the territory's courts to prohibit certain programmes, on application by the chief secretary, will be retained. Such programmes are those that may incite hatred, result in a general breakdown of law and order, or damage public health or morals. John Ridding, Hong Kong

Australia casino bidding move

The Australian Senate yesterday launched an inquiry into the licence tendering process for the lucrative but controversial A\$1.3bn (US\$1.036bn) Melbourne casino. The inquiry follows allegations that Crown Casino, the winning bidder, had prior knowledge of other rival bids before submitting its own final offer, Among those who have maintained the tendering pro-cess was affected is ITT Sheraton, the US group, which lost

Crown, a Australian listed company, has denied any impro priety. The controversy has been fuelled by the fact that one of Crown's directors is a businessman with links with political figures. An internal treasury minute said to disclose informations. tion from the bids also suggested knowledge of the rival offers

Pakistani bus bomb kills six

A bomb yesterday ripped through a bus in the Pakistani industrial town of Sheikhupura, near Lahore, killing at least six people and wounding 40. The blast intensified fears over public safety in the Punjab, Pakistan's most populous prov ince, where nearly 50 have been killed and almost 100 wounded in explosions in the past month.

Premier Benazir Bhutto has accused India of involvement; the accusations have been denied. But analysts believe the bombings follow Islamabad's failure to find a solution to political tronbles in Karachi. A security clampdown in Karachi is thought to have forced those involved in the attacks to move away from the area. Farhan Bokhari, Lahore

Japan's banks urged to act on loans scandal

By Gerard Baker in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yes-terday called on Japan's banks to shoulder a greater hurden of the costs of liquidating the country's bankrupt housing

In the clearest sign yet that the government is planning a radical change to its plans to spend public money on the bq-uidation. Mr Hashimoto told a parliamentary committee hearing that the banks that founded the companies should

Mr Hashimoto said he hoped the banks that founded the companies would make deci-sions on the issue "on their own, taking account of the Diet (parliamentary) discussions".

In December the government announced its intention to contribute Y685bn (\$6.5hn) towards the cost of the liquidation of the companies, known as jusen. But public hostility and a concerted campaign by the parliamentary opposition have come close to forcing the cabinet to drop the plan.

The finance ministry is understood to be drafting an alternative that would cut hidden profits on equity hold-sharply the proportion of the ings and potential bad loans.

A cull of profits and presidents

Solemn rituals are under way in the boardrooms of Japan's leading banks. Like most rituals, the significance lies more in symbolism than in substance. And like all rituals, even that symbolism should probably not be taken borne by the government in too seriously by onlookers. the liquidation and raise the hurden on tha founding banks. One by ona, the world'a big-

gest banks are getting rid of their presidents. On Tuesday Mitsui Trust, the country's third largest trust bank, became the latest to announce the early departure of its top executive, Mr Ken Fujii. The move brings to three the number of high-profile resignations, following similar moves in the last month at two other giants, Fujl Bank and Industrial Bank of Japan. The list is almost cer-

tain to grow.

The ostensible reason is a sudden desire on the part of banks' managements for a reshuffle of top personnel. Bank spokesmen claim these changes are long overdue. But the real, half-admitted explanation is the need banks feel to atone for their disastrous financial performance of the last few years. Loans made mostly during the years of the "bubble economy", the period of rapid land price rises in the late 1980s, have turned sour in the collapse of asset prices in the last fiva years.

Later this month the banks will reveal some of the costs of those mistakes when they publish annual results for the year

t was almost obligatory to be an

African in South Africa yesterday.

The cause was the adoption of a

new constitution, achieved after two

years of negotiations which concluded

only hours before the final vote, as

the minority partles predictably

bowed to the immense political

weight of the African National Con-

Mr Thabo Mbeki, deputy president and heir apparent to Nelson Mandela,

set the tone during the final speeches

in the constitutional assembly. Eight

times he declared he was an African.

"I owe my being to the hills and the valleys, the mountains and the glades,

the rivers, the deserts, the trees, the

flowers, the seas and the ever-chang-

ing seasons that define the face of our

native land." he said. "I know that none dare challenge me when I say -

"The constitution whose adoption

we celebrate constitutes an imequivo-

cal statement that we refuse to accept

that our Africanness shall be defined

l am an African.



Yasno Matsushita, now Bol governor, presided over his mmercial bank's part in the 'bubble economy'

to end-March. Between them the 21 leading banks are expected to report pre-tax losses of Y3,340bn (\$31.8bn) after bad loan write-offs of Y2,500bn. Most of the departing bosses

might have survived even that blow to their reputation, had it not been for political pressure. For some months loud demands have come from public and politicians for bankers to start paying the price of the bad loan fiasco. And quieter, more insistent, voices at the finance ministry have also been suggesting that such resignations might make sense. There is a careful calculation

in this. The government is try-ing to force on a bostile public and parliament a plan to spend Y685bn of taxpayers' money on liquidation of the housing loan the 1970s and are now virtually insolvent, with over two-thirds their total lending of Y13,000bn officially acknowl-

edged to be non-performing.
Since banks are held largely responsible for the mess, the public wants them to pay more towards the liquidation. In an attempt to deflect this bostility away from their proposals, finance ministry officials and politicians are advising bankers to fall on their swords.

In February Mr Wataru Kubo, finance minister, told bankers they should accept "responsibility" for the losses, a euphemism for resignation.

Though they may he walking the plank, the culprits are doing so in the knowledge that there is a comfortable life raft waiting for them at the end of it. All the departing presidents will go on immediately to another well remunerated job in the company - usually as either chairman or adviser. By concentrating on the present heads of banks as those to be held responsible for

the banking failures of the last few years, the bureaucrats and banks themselves have nabbed only half the culprits. Those who were actually in charge of hanks when the problems arose are understandably thought to carry an even greater responsibility than the current bosses. But extending the purge might yield some

The 'Mecca of constitutions' leaves markets without faith, writes Roger Matthews

Rands and sentiment in the new S Africa

a sign that he might withdraw from

the government of national unity. The

rand promptly dropped further

be, too, was an African, by birth and by choice, was greeted by derisive

hoots from ANC members. The leader

of the small Democratic party had

fought more tenaciously than anyone

to ensure that the workers' right to

strike was balanced by the employers'

right to sbut its doors to striking

employees, it was an issue he said he

would pursue through the constitu-

tional court. "This constitution gives

the unions the right to make or break

future governments," said Mr Leon. General Constand Viljoen, former army commander and leader of the

rightwing Freedom Front, said that,

despite being an African, and seeing

many positive aspects in the constitu-

tion, his party would abstain because

there was too little protection for

lt was probably inevitable that the

minority rights.

Mr Tony Leon's protestation that

against the dollar.

reckless in lending to the property sector in the late 1980s, including loans to the housing loan companies. Last year it wrote off about Y950hn in had loans, the largest of any bank.

t the height of this speculative frenzy the president of what became Sakura Bank was a Mr Yasuo Matsushita, a former finance ministry official, wbo left the bank in 1994. Between 1987 and 1990, he presided over his bank's part in the rapid inflation of the "bubbla econ-omy". In 1990 he moved on to the chairmanship, retaining an influential role,

Mr Matsushita is now governor of the Bank of Japan, the highest ranking monetary policymaking official in the country. There have so far been few calls for him to follow the example of his successors. Small wonder that at least one of the bank presidents forced out in the last month has been overheard muttering about the need for financial justice for all. He and others will watch to see where the

Gerard Baker

frontiers of that justice lie.

were founded by the banks in be anxious to push too bard.

NEWS: INTERNATIONAL

After that, everyone was an Afri-

can, even if they were not very happy

about the constitution they were

about to adopt. "I am also an African," said Mr FW de Klerk, deputy president and leader of the National

party, "and part of a modern, devel-

oped country that can compare with

But its new constitution was one

dominated by the will of the majority

party, and "rang the death knell of

multi-party participation in decision

Mr de Klerk said that while his

party would vote for the constitution, because a No could irreparably dam-

age the interests of the nation, it did

so with serious reservations, in partic-

ular the National party was unhappy

about the provisions for property

rights, the failure to enshrine the

right of employers to lock out strik-

He added that the federal council of

ers, and the absence of the death pen-

his party would meet next week to

making at executive level", he said.

the best in the world".

Israel blasts 'absurd' UN report on Qana

Israel yesterday blasted a United Nations report which questioned whether Israel's bombardment of a UN base in Lebanon last month, killing more than 100 civilians, was an

In Washington Mr Ehud Barak, Israeli foreign minister, who reportedly exchanged tense words with Mr Boutros Boutros Gbali, UN secretary general, said the UN conclusions were "absurd". Mr Barak's comments came

after a senior UN military officer who wrote the report on the April 19 shelling of the UN hase at Qana said it was unlikely Israel hombed the base through technical or procedural errors. Although the report stopped short of accusing Israel of deliberately shelling the UN post, it scorned Israel's explanation that it was the result of wrong labelling

In Jerusalem, Israeli officials said the UN investigation incident ignored evidence presented by Israel to support their claim that the event was a mistake. Mr Uri Dromi, government spokesman, said the UN had refused to consider fcotage of Israeli reconnaissance which showed that it was impossible

had taken shelter at the UN base from Israel's intensive bombardment of Lebanese vil-

Mr Dromi suggested the UN was covering for pro-Iranian guerrillas in Lebanon who had fired Katyusha rockets from a position close to the UN base. Unfortunately, the UN chose to ignore that, maybe because the UN has tough questions to answer about ho₩ come...those Hizbollah terrorists felt so at home in the com-

pound of the UN," he said. The US, Israel's closest ally. has hacked the country's version of events and accused the UN of making "unjustified con-

But Isreel's explanation of what Arab states have called "a massacre of innocents" has failed to convince the region's

On Tuesday Syria called for Israeli leaders to be put on trial as war criminals for what it termed the deliberate sheliing of a safe haven for civilians fleeing Israel's blitz.

Syria has also attacked the US for supporting Israel and trying to suppress the UN report.

accused the US and Israel of obstructing the work of a committee assigned to monitor the

by our race, colour, gender or historiconsider its position, a statement seized on by the currency markets as final speeches should reflect the tense last-minute negotiations that lasted Memories of dictators cast

Fear of a bloody past holds key to electoral success, writes Michela Wrong

Nigerian clean-up offered by Shell

By David Lascelles in London and Paul Adams in Lagos

Shell Nigeria has offered to clean up all oil spills in Ogoniland and re-start local development projects in the troubled Ogoni territory as a first step toward an agreement with local leaders which would allow its staff to return safely

Shell, the largest foreign oil company in Nigeria, closed its land." operations in Ogoni three years ago after threats to its staff and sabotage of facilities

by sections of the Ogoni move-ment, Mosop, which accused Sheli of poliuting the environ-

ment. Mr Brian Anderson, Shell Nigeria's managing director, said yesterday: "These proposals are offered in the spirit of reconciliation. All we need to start the process is the assurance of all Ogoni communities that our staff can work safely in Ogoni-

This is Shell's most most public hid to end the deadlock with the Ogoni community.

r David Mukasa knows what it means to live in fear. Under former dictators ldi Amin and r David Mukasa Milton Ohote, his wife was beheaded by maranding soldiers, his estates destroyed and he was repeatedly tortured. So when this elderly Bagan-

dan, who now rears poultry on the shores of Lake Victoria. votes today in Uganda's first elections for 1S years, he will be opting for President Yoweri Museveni and the promise of "no change". He has heard that Dr Paul Ssemogerere, the opposition candidate, is planning to bring Mr Obote back. "The very idea sends shivers down my spine.'

From his exile in Zambla, the 75-year-old Mr Obote has baunted this election campaign, a bogeyman used by the incumbent to convince voters not already persuaded by his 10-year record of political sta-

In what many Ugaodans regard as a cheap tactic, the president's team has sought to bolster its arguments against multi-partyism and undermine an alliance between Mr Ssemogerere's Democratic Party (DP) and the Uganda People's Congress (UPC) by suggesting it would not only bring Mr Obote, the UPC leader, back, but appoint him "political com-missar" in a new government.

Directly at staka are the votes of 2.5m Baganda, more than a quarter of the electorate. They were worst hit by Mr Obote, who abolished the Buganda kingdom and later launched a terrifying crackdown on areas sheltering Mr Museveni's rebel army. Normally. Baganda support goes to the federalist DP. But Mr Ssemogerere'a alliance with the UPC has split this crucial constituency down the middle,

of many things. His controver-sial "no-party" political system - which allows candidates to campaign only as individuals -has crippled the opposition. His all-embracing "movement" system, meant to transcend the tribal factionalism he blames dominance of an elite from the west of the country. He has neglected the underdeveloped north and failed to tackle a rebel movement terrorising

that region. But for millions of Ugandans, not just the Baganda, the Museveni decade has been a period of unprecedented stability, when for the first time they could build, farm, trade

now enjoying the highest growth rate in Africa, with gross domestic product expected to rise hy 8 per cent this year after growing by 10 per cent in 1995. Regarded as a model reformer by the World Bank and International Monetary Fund, Mr Museveni has lured a yearly \$800m in aid to Uganda. Foreign investors are being drawn by a combination of low inflation, free exchange controls and a stable currency.

An opposition victory could jeopardise these achievements. Analysts see the UPC-DP alliance swiftly disintegrating amid wrangling over posts and

into the early bours of yesterday, But. as Mr Cyril Ramaphosa, the chairman of the constitutional assembly said, it was "an immense achievement".

The 137-page document, declared Mr Ramaphosa, was the Mecca of constitutions and people would travel far to see how democracy had been enshrined in South Africa. Sceptics put it differently: "It is a Rolls Royce of a document welded on to the body of a Morris Minor." At the centre of the constitution is

a bill of rights which covers a vast range of topics from the right of a child to a name, to the right of everyone to education, housing, fcod, water and security. It covers political rights, freedom of expression, privacy, religion, environment, buman dignity and freedom of association.

Elsewhere the constitution defines the relationship between central government and the provinces, the powers of parliament, tha president and national executive, the courts, public administration, security services and the role of traditional tribal leaders. To have achieved a consensus.

Uganda

albeit sometimes qualified, on such a range of issues was described by President Mandela as "our own humble contribution to democracy and the culture of buman rights world wide: it is our pledge to humanity that nothing will steer us from this cause".

But giving economic substance to the fundamental rights to which the country yesterday became committed will be an altogether higger challenge. Mr Ramaphosa, who will soon leave parliament to concentrate on a business career, said the new constitution was also good for investors and good for the rand.

Mr Trevor Manuel, the new finance minister, seemed to agree, judging by the enthusiasm with which he joined in the signing, dancing and rhythmic hand-clapping that greeted the final vote. However, by the time be returned to his office, the markets appeared to have been more influenced by words of Mr de Klerk than by the promises of the new constitution - yet another bard lesson for the optimistic citizens of Africa. Editorial Comment, Page 15

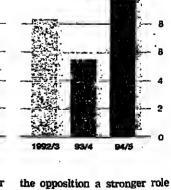
shadow over Uganda poll



question mark bangs over whether the army's western leadership would accept the sults. A new era of uncertainty in Uganda, the linchpin in a region shaken by violence in Rwanda, Burundi and Zaire, would threaten the whole of East Africa. Foreign investment has already gone on hold during the election months.

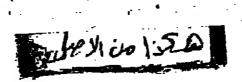
Few helieve this scenario will unfold Although the pro-

test vote has been growing and the 85 per cent walkover predicted by the presidential team looks unlikely, most observers expect a 60 per cent Museveni win. Parliamentary polls due in June are expected to give



in the running of the country and the democratic process now looks unstoppable with true multi-partyism inevitable. Sbould Mr Museveni, wbo insists his "movement" system has another 15 years of life, apply the hrake, be will find foreign funds drying un.
"Museveni will eventually

have to make a decision on multi-partyism or donor sup-port will gradually erode," says Mr Michael Southwick, US ambassador. "With that will go confidence and you don't get investment without confidence. They have to get on board."





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From Asia to Zurich, and back.

These days, dozens of new employees from Asia are crossing the threshold at Swiss Re in Zurich.

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Swiss Re

Shell protests at Manila gas plan

Shell Philippines Exploration, joint controller of the Philippines' largest natural gas field. yesterday protested to the Manila government over plans to allow power producers to import liquefied natural

The Anglo-Dutch company which is in partnership with Occidental Philippines (Oxy) of the US to exploit the 12,000bn cubic metres Malampaya gas field off the Philippine coast, said Manila's decision undermined the country's drive towards self-reliance in energy.

The joint venture, which has agreed to supply LNG for 3,000MW of power a year over 20 years to the Philippine power sector, said the government had given power produc-ers the green light to import LNG for 1.500MW a year.

"Importing LNG is not only inconsistent with the government's vision but will increase the Philippines' own dependence on fuel importers," said Mr Dre Boon, vice-president of Shell Exploration (world wide). yesterday. "This will deprive the government of substantial revenues which would be generated from its share of indigenous gas reserves."

First Gas Holdings, a joint venture between British Gas and a local group which received permission to supply its 900MW plant in the Philippines with LNG imports, said protracted negotiations between the Sbell-Oxy group and the government had pushed the Malampaya project back 12 months.

The Philippine government which is weening the local power sector off imported oil and coal on to indigenous power sources such as gas and geothermal energy, has said demand for gas will reach 4,800MW a year by 2002 - well in excess of Malampaya's

capacity.
This is disputed by Shell and

Vietnam puts telecom deals on hold

Four telecommunications contracts, amounting to about \$1.4bn, have fallen foul of Vietnam's revenue forecasts and hesitancy among policy-makers over allowing foreigners into the sector.

The delay in the contracts, which were expected to be awarded last month, have led to extreme frustration at the four companies involved. "It's very disconcerting having to manage your expectations beyond these new dates," said one official.

By Virginia Marsh, recently in Bucharest

New customs regulations to

clamp down on smuggling are

forcing Romanians, among

Europe's heaviest smokers, to buy western cigarettes in the

middle of the night.
In the last week, Marlboro

and Kent, among the western brands with up to 30 per cent of the local market, have all

but disappeared from the

shops, during daytime at least.

This follows the arrests of several alleged ringleadera

behind a huge cigarette, alco-

bol and coffee smuggling

industry which the govern-

ment says costs it billions of lei

in lost revenues each year. Since May 1, the government

has also required all cigarette

packets to bear a stamp show-

ing customs have been paid

and is imposing fines of

between 10m lei and 30m lei

(\$3,300-\$9,900) on vendors who

do not comply.

Tobacco is big business in
Romania where an estimated

6m out of an adult population

Local brands are still pro-

duced by the state monopoly

but have steadily lost market

Telstra of Australia, Cable

Smokers on the

midnight prowl

in Bucharest

International of Japan and France Telécom have spent the last year negotiating with Vietnam Posts and Telecommunications (VNPT), the state telecoms monopoly, for contracts to install and operate land lines in Hanoi and Ho Chi Minh City. Mr Nguyen Ngo Hong, director of VNPT a information centre, said it was unlikely any contracts would

be awarded soon. The work is part of ambitious plans by Hanoi to provide five phone lines per 100 people by 2000, compared with one line per 100 people now. It

One of the people police have

arrested recently is accused of

smuggling 5.7bn cigarettes,

about a fifth of the annual

market of some 30bn ciga-

Industry analysts say import

duties of up to 300 per cent are

so high they encourage tax

evasion and that the govern-ment would raise more reve-

nues if it lowered its

However, the biggest com-

plaint yesterday was from ahopkeepers and smokers who

said an apparent shortage of

pink for local brands, green for

imports - had kept western cigarettes off the market.

a packet of Marlboro", a 22-

year-old student said. "I finally

found some at lam; the man in

the shop said he only sold

untaxed cigarettes at night

time, when there were fewer

policemen around, and that

he had been unable to get

bold of clgarettes with

"It took me two days to find

the new customs stamps

charges.

investment by foreigners to Vletnamese telecoms.

The contracts under discussion involved C&W and NTT International sharing installation of about 400,000 lines in the capital, with Telstra and France Télécom splitting the job of installing 800,000 lines in Ho Chi Minh City.
The foor would then operate

the networks in conjunction with VNPT, sharing call revenue roughly equally over about

But the negotiations have been dogged by doubts among some Vietnamese policy-makforeigners into a sector seen as important to national security. One direct result of this is that Hanoi does not allow foreign operators to sign equity joint ventures, insisting instead on a looser "business co-operation

contract". The companies say this formula is more risky to finance and have sought guarantees to compensate for any disruption to internal rates of return if revenue forecasts do not match

to particular, the foreign investors are thought to have rejected a business plan put includes a revenue forecast based on current revenue pe scale taking into account an increasing number of lines.

In addition, VNPT is understood to be keen to settle on a uniform rate of return for all four investors, despite the fact that the level of investment

planned by each is different.
Officials at two of the four companies said some agreement was possible by the end of May but the issue could drag on beyond the Communist the end of June

China urged to outline stance on WTO entry

Li Peng: pressed for flexibility

year could not be expected to

make the compromises neces

But Sir Leon appeared to hold out an olive branch to

China on terms for WTO

entry. He said there was "very

wide discretion for the WTO to allow transitional periods, which can be substantial."

China says as a developing country it should be given spe-

cial consideration, including

lengthy transitional arrange-ments. It has accused the US

repeatedly of blocking its WTO

Sir Leon also pressed China

on the need to pursue vigor-ously accords to stamp ont

sary to secure China's entry.

By Tony Walker in Beijing

Sir Leon Brittan, the Kuropean trade commissioner, yesterday urged China to be more forthcoming in talks on its entry to the World Trade Organisation. Sir Leon, who ended a fourday visit to China yesterday, called on Beijing to outline candidly where It stood on such issues as market access, tariff cuts and qnota removal. "They need to go further and put it on the table, then let's see how we get on," he said. Sir Leon pressed this point with Premier Li Peng to a meeting during which be argued it was in China's inter-

ests to "show flexibility". Sir Leon had also made it clear that if China could satisfy European terms for entry. it was most unlikely to face a veto from the US. "They are seriously worried about a general political veto by the US

(but) I said put us to the test." EU officials are anxious to prevent talks stalling completely. They fear this would make it difficult to restore momentum in early 1997 after the US presidential election. Beijing and its negotiating

partners have virtually ruled led to sharp rises in cigarette out concluding WTO negotiations this year because the US prices which were previously administration in an election among the lowest in Europe.

information and entertainment products, but the European approach was "more sub-tle" than that of the US, which has threatened sanctions. The EU and China signed a protocol on Tuesday to

strengthen co-operation in defence of intellectual property rights. • Premier Li Peng said Beijing was considering bnying more Airbus aircraft following China's order for 33 Airbus

jets last month, Sir Leon Brittan told reporters.
"He told me there may be more purchases to come," said Sir Leon, who added that Mr Li had not said the additional orders would be at the expense

of Boeing. • The American Chamber of Commerce in Hong Kong yes-terday said it would fight for unconditional extension by the US of China's Most Favoured Nation (MFN) trading status, Reuter adds from Hong Kong.

"America's relationship with China has become too important in strategic and economic terms to be threatened each year by a law written 20 years ago (during) the Cold War," the chamber said.

Hong Kong governor Chris Patten has been lobbying Washington to renew MFN. WORLD TRADE NEWS DIGEST

Banana trade under scrutiny

The World Trade Organisation yesterday established an independent dispute panel to rule on the European Union's banana import regime. The five complainants – the US, Ecuador, Guatemala, Honduras and Mexico – say the EU quota scheme unfairly discriminates against Latin American banana producers in favour of former colonies and overseas territories in Africa, the Caribbean and the Pacific.

Two panels set up under the WTO's predecessor body, Gatt, found against the EU on bananas but their rulings were ignored by Brussels. Under stronger WTO procedures this will not be possible. However, the EU last year won a waiver from the WTO for its preferential trading arrangements with ACP countries. A cumber of ACP countries asked yesterday to join the panel, arguing that guaranteed access to the European banana market was essential for their economic survival. Yesterday Brussels also rejected a US call for a panel on the

EU's ban on hormone-treated beef. The EU must accept a panel at the second request, expected when the dispute settlement body meets on May 20. Frances Williams, General

WTO shipping talks slow

Negotiations on international shipping in the World Trade Organisation are making little headway prior to the end-June deadline for an agreement. By yesterday, only 12 of the 42 participants, the EU counting as one, had put liberalisation offers on the table and they do not include the US.

The EU told yesterday's meeting of the maritime services negotiating group that it would continue to strive for a non-discriminatory WTO accord which would guarantee existing high levels of access to world shipping markets. However, many countries doubt Washington's commitment to the talks, and this belief has been strengthened by the US refusal to endorse a WTO telecoms accord at the end of last month. US officials say other countries have not been

sufficiently forthcoming to make a US maritime offer

GM plans Australia expansion

General Motors-Holden Automotive, the Australian subsidiary of General Motors in the US, is to invest a further A\$1.4bn (US\$1.1bn) in its Adelaide-based manufacturing facilities during the next five years, as it invests to produce a second car at the plant.

GMHA said yesterday that it planned to manufacture the Vectra model alongside the existing Holden Commodore, for sale both domestically and in southeast Asian markets. The second car production line is expected to create about 700 Nikki Tait, Sydney

■ KHD Great Britain, the UK subsidiary of Klöckner Humboldt Deutz of Germany, has initialled the first private power project in Sri Lanks. KHD, as the lead sponsor, will erect a 51MW diesel power station expected to come into operation in 1997. The cost will be funded by debt and

■ Northern Telecom, Canada's biggest telecommunications equipment maker, will supply a complete digital cellular communications network for Chongqing, Sichuan province, China. The first phase will service 20,000 subscribers. The company did not reveal the value of the contract with China United Telcommunications. Robert Gibbens. Montre

CONTRACTS & TENDERS

REPUBLIC OF COTE D'IVOIRE PRIME MINISTER'S OFFICE MINISTRY OF AGRICULTURE PRIVATISATION COMMITTEE **PRIVATISATION OF** OIL PALM PLANTATIONS OF PALMINDUSTRIE

stamps.

INTERNATIONAL CALL FOR TENDER

The Government of Côte d'Ivoire, as part of its privatisation policy, announces the launch of an International Call for Tender for the privatisation of 5 groups of oil palm plantations ("E.A.I") extending over a total of 55,956 ha and including 14 oil mills. Each EAI will be sold separately through the same tender.

The EAI have the following characteristics:

EAI of South-West: 11,331 ha of plantations and 3 oil mills EAI of Center-West: 12,618 ha of plantations and 2 oil mills EAI of Center: 9,630 ha of plantation and 2 oil mills

EAI of Center-East: 7,669 ha of plantation and 3 oil mills EAI of South-East: 14,861 ha of plantations and 4 oil mills

Each EAI is privatised together with the necessary equipment and facilities for its

Prospective investors are invited to withdraw information memoranda concerning the five EAI and a general information memorandum from Thursday May 2nd, 1996 at the following address:

COMMITTEE OF PRIVATISATION

6. Boulevard de l'Indénié 01 BP 1141 ABIDJAN - PLATEAU Tél: (225) 22 22 31/22 22 32 Fax: (225) 22 22 35

The memoranda will be purchased for the respective amount of F.CFA 250.000 for the general memorandum and F.CFA 150.000 for each EAI information memorandum (IFF = 100 F.CFA).

The deadline for submission of bids is Monday, July 8th, 1996 before 18.00 GMT at the address hereabove.

PolyGram is biggest music group

By Alice Rawsthorn

A strong position in the fast growing Asian music market has given PolyGram a clear lead over rival record companies to become the world's largest music group, according to new research.

Philips, the Dutch consumer electronics company, commanded 17 per cent of the main international markets last year, research released today by Music & Copyright, a Financial Times newsletter, shows. This compares with 15.5 per cent for Sony Music, part of the Japanese electronics and entertainment group.

Global Market Share of Music Groups

Company Parent Share (%) PolyGram Phillips Sony 15.5 Time Warner 15.0 Thom EMI 14.1 Beitelsmann 11.1 Sony Warner Source: Minds & Copyright

Asia has become increasingly important to the \$40bn music industry in the 1990s as the level of growth in the region has outstripped that in North America and western

Jacky Cheung in Hong Kong and Harlem Yu in Taiwan, proving multinational music groups need strong operations in the region. PolyGram has benefited from its businesses in Taiwan and South Korea, with 17 per cent and 9.9 per cent of sales respectively. in cent share.

Sony's international position has been strengthened by its market-leading Japanese operation, with a 17.6 per cent share. As a result, Sony has ousted Warner Music, the Time Warner subsidiary, from sec-Europe.

In Asia, consumers tend to prefer local stars, such as ond place internationally. per cent now, and warner, still number one in the \$12.1bn US market, has a See Lex, Page 16

EMI Music, part of Thorn EMI of the UK, is fourth with 14.1 per cent, bnoyed by support in the UK, Germany and Japan. The fifth biggest group is BMG, a subsidiary of Bertelsmann, the German media group, with 11.1 per

rise faster in Asia than in North America and western Europe is set to continue. The US is still the world's largest source of music sales, but its global share has shrunk from 50 per cent 10 years ago, to 30 per cent now, and could fall to 20 per cent by the year 2000.

'Ms Stonewall' lines up for US

Nancy Dunne on the tough negotiator waiting to talk for America

be US Trade Representative's spa-cious office has been empty since Mr Mickey Kantor moved to the Commerce Department last month.

Ms Charlene Barshefsky, deputy and next in the line of succession, remains in ber own smaller office while the billing records of her 18 years at a prominent Washington law firm are inspected.

A provision inserted in a lobby reform law last year by Republic Senator Robert Dole bars anyone who has represented a foreign government in a trade dispute from holding the job. Ms Barshefsky apparently once advised the Canadian embassy in a softwood lumber case, but whether this will disqualify ber has yet to be determined.

"I don't expect to have a problem," she said in an interview.

to the meantime. Ms Barshefsky bas added Mr Kantor's responsibilities to her own, taking on, among others, the high-risk negotiations with China.

Ms Barsbefsky, who would be the first career trade lawyer to hold the job of Trade Representative, is not a woman plagued by self-doubt. She relishes matching wits with the most wily of opponents and seems to enjoy creating order and policy from the thicket of competing domestic and international interests.

Mr Jeff Garten, former Commerce Department undersecretary of trade who worked with Ms Barshefsky for two years. describes her as "an extremely good nego-tiator, a good listener who understands all the technical, political, domestic and for-

eign policy ramifications in a negotiation." Mr Jack Valenli, president of the Motion Picture Association of America, who went to China with ber recently, attests to a persistence in her style. "There is an integrity of purpose about her. Mickey Kantor is more of a political animal, but in the implacability of their objectives and the relentless way they pursue them, I think they are cut from the same DNA." Indeed, she was unyleiding last week

wheo refusing to sign up to a global telecommunications pact negotiated under the World Trade Organisation in Geneva, say-ing there was not enough in it for the US.



Charlene Barshefsky, in the thick of it

As one former US trade official explained it, the US is trying to build a durable multilateral system, not "a series of half-baked reforms which sow the seeds for discrimination in the system.

Ms Barshefsky's response to the subsequent blast of criticism coming from other countries negotiators, in particular the EU, was to demand that the EU immediately come forward with an improved pro-

posal of its own. Ms Barshefsky makes on apologies in acknowledging that US support for the Most Favoured Nation principle, a basic tenet of the world trade system that trade partners should be treated equally, must be tempered by domestic political reality. "What you see is a country that in policy terms has made the decision that trade agreements must be reciprocal in charac-

ter." she said. "That doesn't necessarily mean mathematical equity but it does mean rough justice. And to the extent that MFN is to be retained - and I think it should be tries appreciate that the US expects to get value for what it gives.

"Ten or 20 years ago countries might have expected the US to give more than it • got, but that is not the case any more." Elections in the US this year have put a constraint on any US trade negotiations. particularly since trade has become deeply enmeshed in domestic party politics. "The opposition is laying in wait, hoping that the administration is being soft or inconsistent or giving something away," said one official. "It would be perfectly understandable for Charlene to tread carefully." She is very conscious of antipathy to trade deals among US voters, but she

"We're a mature economy [and] our industries are the most productive in the world. [Without trade] where is that output going to go? ... But the public doesn't make those connections. That's the danger

believes in the importance of the global

trading system to the future of US prosper-

we have to be concerned about." Ms Barshefsky's pragmatism is much in line with Mr Kantor's. He, however, has been roundly criticised for his insistence on tying labour rights to trade negotiations to the WTO, and this is blamed for his failure to win new negotiating author-ity for future trade deals.

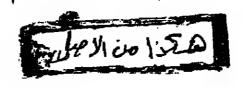
"To the extent that the WTO refuses to look at the intersection of trade policy and core labour standards, you will see a cynicism develop among the public that these international institutions have aims antithetical to other important public poli-

cies." said Ms Barshefsky.

Ms Barshefsky's nomination presents a
dilemma for Mr Dole, the presumptive
Republican presidential candidate, who
has been criticising President Bill Clinton for being weak on trade. It is Mr Dole's provision to the lobby law that could pre-

vent appointment of trade representatives who do not require on the job training.

And it is the same provision which could prevent the appointment of a negotiator so respected for her defence of US interests that she was nicknamed "Stonewall" by her colleagues.



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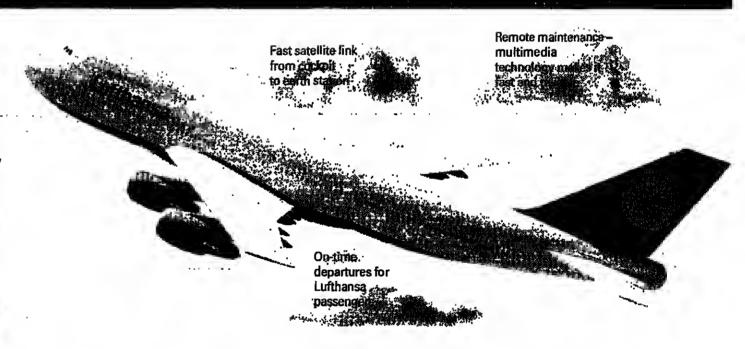
Wultimedian Multimedian Special NFORMATION

Zurich: Multimedia puts a song in the music business.

a multimedia information concept it calls "Giga Music Browser." Musik Hug AG contracted with Siemens Nixdorf to provide complete management of the project: from initial consulting all the way through to support and final implementation, including a LAN network.

Planning calls for networked multimedia stations to be used in Hug AG's retail outlets throughout Switzerland.

Founded in 1807, Hug AG, along with its Switzerland's Musik Hug AG has launched "subsidiaries Musica Nova AG and Musica Viva AG, is Switzerland's largest spacialty retailer for musical Instruments, sheet music, compact discs and accessories, generating annual sales of over Sfr 78 million. All of the objectives behind the idea for the information kiosk system - customer care. promotions, publicity and an innovative image - were able to be achieved with the implementation of this multimedia concept. The system is operated from a 17-inch touch-screen monitor. Designed with Hug AG's image in mind, the individual user interfaces reflect a combination of heritaga and vision. All of the functions are highly intuitiva and do not require any computer literacy on the part of the user.



Newbridge, Siemens and Siemens Nixdorf – German-Canadian alliance for multimedia networks.

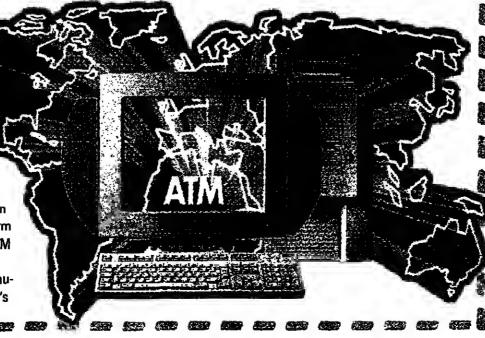
To keep up with tha breathtaking pace of development in new communication options, there'll be no getting around ATM technology in the future. ATM stands for Asynchronous Transfer Mode. It's a high-speed wideband communication solution that's destined to serve as the platform for the information highways of

the future. What's so revolutionary about ATM is that it allows both realtime applications, like voica and video conferencing, as well as data transfer to be handlad over the same network with the same switching technology.

Two of the leading network vendors in the industry have joined forces to form a long-term alliance in the field of ATM technology: Canada's Newbridga Networks Corp. and the Public Communication Networks Group at Germany's

Siamans AG, which will bring Siemena Nixdorf IT axpertise to the alliance. Under this partnership, the world's most comprehensive product portfolio for wideband communication networks - ranging from access technology and switching systems all the way to complete wideband telecommunica-

tion networks - is now taking shape. Customers will benefit from this partnaring agreement by being able to aingle-source consistent, all-encompassing solutions: corporate and public networks from Siemena togethar with Newbridge and multimadia end-user systems from Siemens Nixdorf.



Frankfurt: Lufthansa German Airlines takes off with multimedia remote diagnostics.

A multimedia maintanance system is changing the face of aircraft maintenance at Lufthansa Garman Airlines: BISAM - as the project is called - stands for Broadband Integrated Services for Aircraft Maintenance.

Together with Lufthansa, the multimedia BISAM application is being tested by Sietec Systemtechnik and Lufthansa Systems under a contract from Deutsche Telekom's DeTeBerkom subsidiary in Berlin. This project ia presently undergoing national fiald trials with 18 systems in various Lufthansa locations - initially shadowing conventional maintenance and repair operations. And international links to the United States and Japan are already on the drawing board. Sietec was responsible for the elements of systems integration and project customizing. BISAM enables downtimes and meintenance costs to be reduced. Which assures on-time takeoffs and landings, as well as a competitive advantage for Lufthansa that underscores its capabilities. Because even though aircraft are maintained to high standards of angineering, too littla technological support is being provided for conventional maintenance procedures. With BISAM, squawks can be reported while still airborne - either via eutomated monitoring systems or by the crew. Automatically encoded, they are transmitted to the BISAM

database by satellite. This allows the maintenance technicians at the destination airport to prepare for the job effectively, even before the aircraft lands, to obtain the required parts, and to request assistance from any specialists who may be needed. To make the job even easier, BISAM also aupplies the correct rapair strategy along with each squawk. Plus tha latest data, since each operation is stored and analyzed.

BISAM can even aliminate the need for onsite specialists: with tha video conferencing module in BISAM, worldwide communicationa and conferences are possible from any work place. Multimedia remote diagnostics thus enabla numerous squawks to ba assessed and resolved in less time and at lower cost. Lufthansa's workstations also ellow high-definition images of even hairline cracks or minute corrosion to be sent directly to the expert's screen via Dautsche Telekom'a high-speed ATM networks. A method thet will considerably simplify aircraft maintenance in the future.

SIEMENS NIXDORF

Upper Austria: The future belongs to the bank with more information capital.

A multimedia pilot project is ringing in a new information age in Austria. Since the summar of 1995, the Raiffeisen Bank branch office in the town of Ort has been equipped with the prototype of an information service terminal that is turning this bank into the town's communications hub. An objective that will soon be reality in all of Austria'a Raiffeisen financial institutions.

The electronic kiosk was developed jointly by Siemans Nixdorf Austria and systems house Programm- und Systementwicklung (PSE), a unit of Siemens Austria.

Thanks to its cutting-edge technology, operating the system is child's play. Touch one of the information points that are displayed on the screen and the wizardry of the "point of action terminal" serves up everything worth knowing: the local calendar of events, information about the town's groups and organizations, as well as current club happenings.

Or questions about local continuing education offerings, a look at current trainee vacancies or the labor service's job exchange. And, of course, the Ort Raiffeisen Bank provides audio and video information about its staff and its complete portfolio of products and services. If desired, the user can easily print out the information that has been presented on the screen. The service is offered free of charge and is available to every visitor to the bank, whether a customer or not.

In its concept and technology, the electronic kiosk is equipped for every need: CD-ROM drive, sound card, stereo speakers, 17-inch touchscreen and laser printer. And a microphone, camera or magnetic stripe card reader can also be attached.

Implemented by Siemens Nixdorf and Siemens AG, these information kiosks are paving the way for Austria's Raiffeisen banks to enter a multimedia future where the focus is on people.



Luxembourg: Gateway from Siemens Nixdorf opens Europe Online for the home banking world.

New and dependable channels are opening Europe Online for the world of home banking - with a gateway that comes from Siemens Nixdorf. Customers will soon be able to choose which network and which bank they would like to use for their home banking needs. Because all of the home banking solutions that formerly were restricted to the T-Online service can now be used via Europe Online. But there's much more to the story than that: with Europe Online, banks can design their home banking solutions to their own CI standards and incorporate the look and feel of WWW multimedia applications. And the interactive structure of the special Windows user interface makes the system especially easy to use.

The focal point of this new concept is the gateway from Siemens Nixdorf, which links the Europe Online system with the bank's

extamal server: an RM600 running OnServa software from Siemens Nixdorf.
With the gateway from Siemens Nixdorf, this Luxembourg service provider now opens the gates to a multimedia future for home banking.



Barcelona: Classrooms go multimedia.

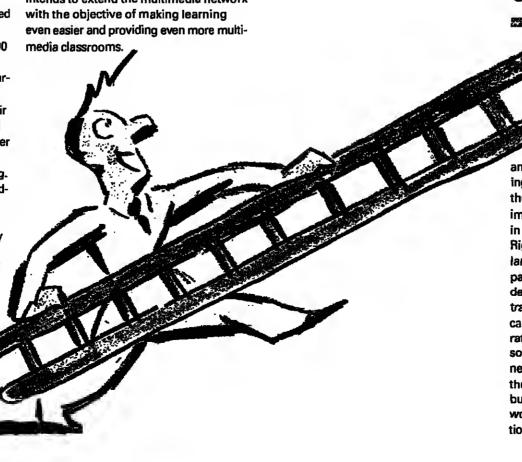
With its PIE (Programa de Informática Educativa) initiative, the Catalan government's Ministry of Education has now entered the multimedia learning age.

Today, pupils at public schools can use 600 Siemens Nixdorf multimedia PCs to learn a variety of European languages and to participata in all kinds of multimedia-based special courses. And they can learn at their own pace, without the constraints of rigid course hours. It makes no difference whether the users are beginners or already know the fundamentals of what they're studying. Because they can fashion their own individual curricula, or they can call upon tutors for advice.

Siemens Nixdorf provided the necessary infrastructure for multimedia learning: with SCENIC multimedia PCs and CD-ROM self-study programs.

And Siemens Nixdorf waa also responsible for complete integration of the systems. LAN technology was used to integrate tha Windows NT^M servars and UNIX° systems into a consistent network. As an added benefit, the system's Internet link allows the pupils to tap into information from around globe in a matter of seconds.

Because of the resounding success of the PIE project, the Ministry of Education intends to extend the multimedia network with the objective of making learning



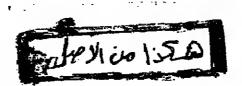
Athens: National Bank of Greece offers its staff multimedia career path support.

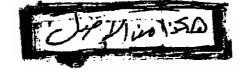
the National Bank of Greece with an innovative instrument for training and educating its staff. Because Multibank makes parsonnel development cost-effective, fast and efficient. Emphasis is placed on enriching tha trainees' knowledge and improving their behaviour, e.g. by facilitating and improving customer orientation resulting in optimized customer relationships. Right from the very beginning, Greece's largest bank had a strong and competent partner at its side: for advice, multimedia development, project managament and training. Siemens Nixdorf got the nod because it offered the best price/performance ratio with a state of the art innovative solution, having the most available service network all over the country. What's more, the National Bank of Greece was able to build upon its long years of experience in working with Siemens Nixdorf, an association that dates back to 1968.

For the first time implemented

in Greece: Multibank provides

Multibank offers a broad range of training and educational offerings for the bank's more than 15,000 employaes: fundamentals of marketing, market research, new banking products, marketing strategies, selling and customer interaction techniques, fundamentals of accounting and much more. Based on multimedia PCs, peripherals and network, all from Siemans Nixdorf – Multibank helps the staff at the National Bank of Greece travel faster along their career paths.





Frankfurt: Starting shot fired for multimedia electronic banking at Deutsche Bank.

With the development of the next generation of db-dialog, Deutsche Bank is opening up new opportunities for its customers: a user-friendly electronic banking program is assuring that all of the customer's typical banking needs can be handlad easily and around the clock from a personal computer. The MS Windows application has a new and attractively stylad user interface. Deutsche Bank and Siemens Nixdorf joinad forces to develop the multimedia elec-

tronic banking idea into a viabla product. Deutsche Bank customars will soon be eble to benefit from it. With db-dialog, Deutsche Bank now has a high quality software product that saves customers time and monay, while assuring compatitive advantages for Deutsche Bank. Siemens Nixdorf is playing a major role in making Deutsche Bank's electronic banking offerings mora comprehensive and attractive.

To make a virtual visit to a Deutsche Bank branch office, all the customer needs in addition to a personal computer - is a modem and a T-Online ID. If the PC is additionally equipped with a sound card, electronic banking becomes a true experience. The basic functions, like electronic funds

transfers or balance and transaction inquiries, are implemented on a multibank basis, i.a. they can be used for virtually all benks with online capabilities. A special service that Deutsche Bank provides to its customars allows them to display thair securities custody accounts complete with current price information. In addition, it is also possible to query the prices of leading equities that are traded in Garmeny, the United States end Japan. And, as an extra service, this attractive multimedia application also enables customers to place direct ordera, i.e. to buy or sell securities.

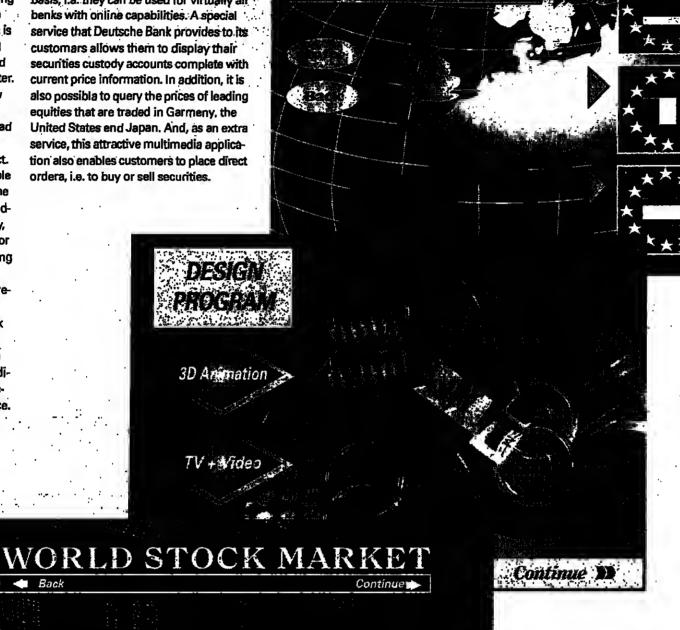
Siemens Nixdorf is helping to build the European multimedia house.

MATES, a project being sponsored by the European Community, is e major factor in designing and employing multimedia technology in the engineering sector. Tha objective of MATES-Multimedia Assisted distributed TeleEngineering Services - is to create a distributed work environment conducive to the efficient implementation of development and knowledge-intensive projects, in particular, regardless of whare the participants are located. A further aim is to establish telecooparation centers throughout Europe incorporating new communication channels like the Internet for providing consulting services and allowing know-how

to be transferred. Involved in the project are partners from France, the Netharlands, Spain, Sweden and Germany; the partners are handling tasks that are related to their specific interests: user organizations, application and technology vendors, systems integrators and service providers.

As a technology vendor, Siemens Nixdorf is participating with its Cadlab research laboratory. At the same time, Cadlab is elso responsible for project coordination.

Siemens Nixdorf subsidiary Sietec, whose activities focus on project business, has assumed responsibility for systems integration. The long-term focus of utilizing the findings from this project to help develop a more effectiva labor market is turning MATES into one of Europe's leading projects. All the more so since a study by the Gartner Group forecasts that over 80 % of all organizations will be employing half of their workforce on a telework basis by the beginning of the next millandium: This is a development that himoes upon the availability of leading-edge information systems like those for document and video conferencing.



MAIN MENU

Europe

USA

Asia

Munich: The creative connection between the computer and Bavaria Film.

Whan two specialists join forces to combina their know-how in e project, there can be little doubt about the outcome; with M-BRAIN, Bavaria Interactiv, a subsidiary of Bavaria Film GmbH, and Siamens Nixdorf have launched a multimedia project that is getting things moving in the field of commercial sales promotion.

As Germany's most important TV and film studio, with haadquarters in Munich and branches in Berlin, Hamburg, Cologna and Dresdan, as well as operations in Hollywood, Pans, Roma and London, Bavaria Film GmbH produces some 20,000 minutes of TV programming each year. Responding to tha

growing interest in television, Bavaria broadened tha focus of its activities: from traditional film-making to services for television companies and edvertising agancies. Co-productions with private-sector talevision companies, design and graphics studios and advertising agencies involve a need for exchanging multimedia information among

each other, and then supplementing this information end passing it on - quickly and without any loss of quality.

The M-BRAIN project offers the concapt and solutions for these activities, as well as solutions for intaractive television at the point of sale. A ten-step program accompenias commercial customers as they travel the road from silent sales clerks to multimedia sales tarminals: tha program ranges from development of the communication strategy on the basis of a customar-specific

market analysis and creation of the idea and the storyboard concept all the way to custom-tailored program development and a user-friendly navigation approach created with the aid of a special development principle.

The program also includes the screen deaign process - with sophisticated 3D animation if dasired - that is matched to tha customer's specific corporate identity needs, as well as the actual film production activities, with the customer being able to draw upon all of Bavaria Film'a studio resources. Plua integration and meaningful interlinking of all of the media employed, es well as complete networking. Baverie provides the customer with the needed infrastructure, i.e. personal computers, media sarvars, networks and operating systems. These componants come from Siamans Nixdorf. A team of specialists from Siemens Nixdorf and Bavaria Film ia right thara with sound advice and hands-on assistance throughout the antira creation phase and beyond.

THURSDAY MAY 9 19

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Brussels: If the customer won't go to the bank, the bank goes to the customer.

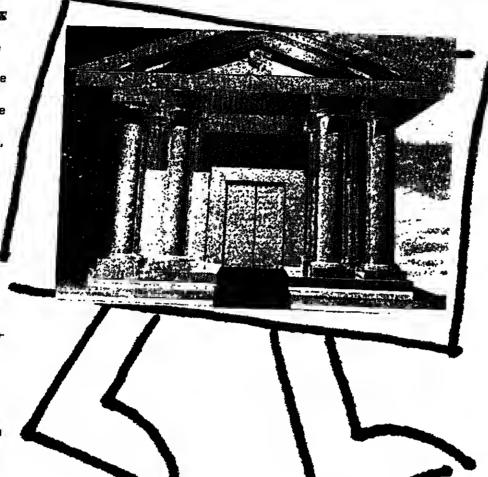
Three Belgien banks, Belgolaise, Crédit à l'Industrie and Crédit Agricole, are e nose ahead in the race to provide better customer care. The reason: DIVINA - Data Image Voice INteractive Applications - an allencompassing solution for speeding up the development of interactiva services that ara directly available from any telephone,

Bank customers who utilize this new telephone banking service can now use the telephone to quickly and easily handle evarything that used to require a trip to the bank's branch office: to query their account balances, get overviews of recent account trensactions or transfer funds.

Or to obtain information about the bank's current product offenings or make changes to their personal data. DIVINA wes implemanted by Siemens Nixdorf's Belgian subsidiary IN2. Modularly structured, it can be fully tailored to the needs of the individual financial institution.

The idea behind DIV(NA is as simple as it is effective: telephones are everywhere. Regardless of the time of day or location, a phone can be used - like a computer - to transmit signals that are then transformed into data. The engineering platform consists of an interactive voice server, a computer system equipped with voice communication cards that is able to transform digital data into verbal information or vice versa. Connected to the telaphone system, this server can also be linked with other DP systems in the institution for data interchange.

Since the implementation of the DIVINA concapt, customers at Bank Belgolaise can handle their banking needs in three different languages - simply by using a telephone.



From initial consulting services all the wey through to installation and support, the Siemens Nixdorf subsidiary is responsible for the entire service. As wall as for the matching hardware: a PC running under UNIX is installed as the voice. Which makes light work of benking business for Benk Belgoleise's customers. And not just in Belgium, but also In Africa and any country, where Bank Belgoleise also does

business. The bank "Crédit à l'Industrie" wes one of the first to introduce its new customerfocused communication concept: it launched its DIVINA-based telebanking project back in June 1992. Serving es the general contractor for the project, the Belgian Siemens Nixdorf subsidiary assured that

the bank's steff of more then 1,000 people and the thousands of customers were ready for the new information technology when it was introduced. IN2 developed the required applications end assured their smooth integration into the existing architecture.

Another exampla of IN2's competence: introduction of a telaphone banking system that wes specially tailorad to the needs of customers at the Bank Crédit Agricole. DIVINA served as the platform for this new service, which was implemented with methods and tools from IN2. Since its introduction in July 1994, the project - which the bank cells "Dynaphone" - has been receiving nothing but high marks from both staff and customers.

Bonn: With CATS, a conference is never more than a cat's whisker away.

A project called CATS - Computer Assisted Telecooperation Service - that is being conducted by Deutsche Telekom and Siemens Nixdorf subsidiery Sietec - which is playing a major role in the development - is the multimedia response to managament's need for cost savings and flexible utilization of existing resources. Organizations that are following the trend away from large centralized production and administration locetions and toward smaller business units are faced with a problem: inter-locationel communication. Because urgent questions usually have to be clarified immediately,

graphics and models handled jointly on the computer by several experts, or the latest results coordinated as quickly as possible. CATS was specially devel-

oped as a telecooperation service for manufacturers and engineering offices. It utilizes ISDN to conduct audio, video and data conferences. Plus intelligent management and application software. The solution was implemented with the Joint X conferancing software developed by Sietec. Deutsche Telakom succeeded in winning prominent participants like BMW, Benteler and the Berlin Construction Academy as pilot partners for CATS.

For the user, working with CATS is as simple as making a phone call: two or more work places ara interconnected via ISDN, allowing projects to be worked on simultaneously

> under the joint editing method. The result: lower production cost and significant savings in time thanks to travelfree conferences.



Brussels: JOSI brings insurance by phone.

With the implementation of the DIVINA project, e new era hes dawned at Belgian insurer JOSI: Siemens Nixdorf's Belgian subsidiary IN2 provided full support in introducing its DIVINA development, from initial consulting all the way through to final implementation. IN2 used modules that were specially designed for the needs of the insurance industry to integrate DIVINA into JOSI's existing environment. The voice server, a PC running under UNIX, utilizes the insurance company's BS2000 mainframe for information interchange. This innovetive voica server mekes it es eesy as can be for independent agents to communicate with the insurance company: using a telephone, and no edditional equipment, it is possible for them to obtain rate calculations in a real-time link.



Siemens Nixdorf – Your multimedia partner for forward-looking solutions.

It's on everyone's lips: multimedia. No other form of information technology bears so much similerity to natural communication. Which also explains its anormous fascination and the public's willingness to participate in new forms of information interchange. In the form of either standard applications or. custom solutions for retailing, manufacturing, banking, insurance and government. The more sophisticated these new multimedia

applications and service offerings become, the more important it is to have a solutions provider whose know-how ranges from the initial concept to ultimate implementation. And the hardware, software and communication networks on which they run hava to be ell the more versatile.

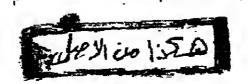
Accept the multimedia challenge - with Siemens Nixdorf as a capable partner for all services, products and solutions. With powerful hardware like the SCENIC multimedia

PC, POS systems and RM Series UNIX for your staff. Regardless of your individservers. With new data storage and compression technologies, end with networks. Siemens Nixdorf is your partner with that assure fast information transfer. Take advantage of electronic commerce to of Information technology. gain competitive advantages through more service around the clock or straightforward financial transactions.

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ual needs - put us to the challenge. comprehensive competence in the field

For further information please call: Siemens Nixdorf Informationssysteme AG Corporate Communicationa Otto-Hehn-Ring 6 D-81739 München Fax: (+49) 89/636-48749 World Wide Web (Internet) http://www.sni.de



By Jurek Martin, US Editor, in Washington

SDAY MAY 9 1995

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President Bill Clinton yesterday threw down the gauntlet to the Republican majority in the US Congress by challenging it to pass the necessary legislation without "poison pills" that would ensure his veto.

Specifically addressing the causes of the current paralysis in Congress, Mr Clinton offered to sign a bill temporarily suspending the 1993 petrol tax, if it were sent to him free of nongermane riders and if the Republicans allowed a comparable "clean" vote on increasing the federal minimum wage. He also explicitly reminded the Republicans that they appeared to be losing the battle for public opinion in their leg-islative tactics. Without directly referring to his expanding lead in the polls, the president pointedly asked: Will you go your own way again, leaving the American people with the memory of extremism, deadlock and gov-

ernment shutdown?" The remaining 90 days of the

Mexico's often chilly

relationship with the US

warmed a little this week, as

two days of talks ended with a

welter of agreements, Daniel

Dombey reports from Mexico

City.
The cabinet-level Binational

Commission reached accords

on topics including drugs

issues, immigration and envi-

Mr Warren Christopher, US

Secretary of State, hailed the

talks, for which an unprece-

dented nine US cabinet secre-

taries travelled to Mexico City,

as having arisen from "tha

most positive relationship that

ronmental co-operation.

end of the legislative session and not the beginning of an election season." All the seats in the House of Representatives, and a third of those in the Senate, will be at stake in the November election.

Mr Clinton's remarks came hours after Senator Bob Dole, Senate majority leader and presumptive Republican presidential candidate, and Senator Tom Daschle, Democratic leader, had indulged in a bitter exchange on the Senate floor, each accusing the other of foisting "gridlock" on Con-

The president said he would be "glad" to sign both the petrol tax repeal and a minimum wage increase, "if they come to me clean." The first, a Republican priority, is meant to counter the recent surge in prices at the pumps; the sec-ond, demanded by Democrats, is aimed at belping poorer

working Americans. But he extended his offer by citing other important pieces of legislation which he would be willing to sign if they were stripped of what he repeatedly called their "poison pill" fea-tures. That included welfare congressional session, he weut on, should be treated "like the reform, if the Republicans

Mexico-US accords made

we have ever had between Mexico and the US".

His closing comments con-

trasted with the inaugural

statement of Mr Angel Gurría,

Mexico's foreign minister, who

had criticism of mounting anti-

migrant sentiment in the US

and of draft legislation before

Congress which seeks to pre-

vent third countries investing

Bnt Mexican criticism

accompanied what seemed to

be a greater disposition to

co-operate with the US, whose

officials were especially enthu-

siastic about a Mexican request

for US technical assistance in

for the poor, and an immigration bill, if a rider approved by the House denying hospital care to the children of illegal immigrants were dropped.

Mr Clinton also said be was perfectly willing to re-open negotiations on a seven-year balanced budget agreement, provided the Republicana stopped insisting on deep spending cuts for education and the environment. Mr Clinton, somewhat art-

fully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But, "wbenever wa've worked together in a bi-partisan fash-lon, we've gotten progress." Mr Dole'a initial reaction to the president'a intervention was dismissive, sarcastically referring to what he called

"the president's non-partisan appearance [at] the White House". He insisted be had offered the Democrats "clean votes" on the petrol tax and the minimum wage, so long as they agreed to a third clean division on the "team act", bitterly opposed by organised labour for fear it infringes on collective bargaining rights.

implementing the former's new

The subject has been espe-

cially delicate because of

recent suggestions by US Drug

Enforcement Administration

officiala that Mexican banks

have been involved in money-

laundering. Such comments

could have hardened the tradi-

tional Mexican aversion to

interference in its internal

affairs. The suggestions were

this week down-played by US

Mexican officials spoke

highly of a pact to enhance

representatives.

immigrants to the US.

money-laundering law.

Black opponent again for right-winger

Helms in repeat run

By Jurek Martin in Washington

Senator Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, will again defend his North Carolina seat against Mr Harvey Gantt, the black former mayor of the city of Charlotte, in tha November

Mr Helms, first elected in 1972, defeated Mr Gantt six years ago 53:47 per cent. That contest was marked by much racial innuendo from the senator. Some early Helms commercials this year have again attacked preferences in hiring and other areas for blacks and homosexuals.

Mr Helms may be relieved not to have to face the man Mr Gantt defeated by 53:41 per cent on Tuesday in the Democratic party's senatorial pri-mary. Mr Charles Sanders, former head of Glaxo, the pharmaceuticals company, is

advocate of several conservative positions, including term limits for members of Congress, that, he claimed, undercut Mr Helms's appeal in ways

In his speech to concede defeat, however, Mr Sanders promised to do "everything I can" to put Mr Gantt in the

Mr Gantt could not.

Helms to public debate on racial questions rather than, as he put it, "hide behind those 30-secood TV commercials." Mr Helms boped the two could "disagree agreeably like gentlemen".

For all his long service in Washington and vaunted fundraising abilities, Mr Helms is accustomed to close races. His winning percentages in his four Senate elections have been in the range of 52 to 55 per cent.

This year, however, be may benefit from new Republican rupt city \$350,000 to stage.

exceeding that of Democrats in North Carolina.

The state has long mixed a liberal tradition, rooted among blacks in its south and in the university complex by Raleigh Durham in the north, with strong conservatism. That was evident in the Republican gubernatorial primary on Tuesday, won by Mr Robin Hayes, supported by both the gun The latter has challenged Mr lobby and the Christian Coalition, for the right to take on Mr Jim Hunt, the popular Democratic incumbent, in

In presidential primaries on Tuesday, President Bill Clinton and Senator Bob Dole easily woo North Carolina, Indiana and the District of Columbia against token opposition. The election in the US capi-

tal was noteworthy for the fact that voter turn-out hit a record low of 9 per cent - in a poll which it cost the quasi-bank-



Harvey Gantt, seen celebrating his Democratic primary win, will have a second tilt at arch-conservative Senator Helms

Elsewhere, the citizens of tion to attract, or retain, pro-Nashville, Tennessee, comfortably approved a bond issue to help build a new professional football stadium, intended as the home of the current Houston Oilers team. US cities and

fessional sports franchises

Francisco supported a new baseball park on tha city waterfront to keep the local Giants from leaving for San

Moderate growth in economy

The US economy grew moderately in the past two months, with little sign of any inflationary pressures, a survey of regional business conditions by the Federal Reserve shows, AP reports from Wash-

The survey by the Fed's 12 regional banks showed all districts except New York were sharing in the expansion. Several districts "noted the pace of expansion had quickened

"Price increases remained generally subdued and there were only scattered reports of wage pressures despite continued tight labour markets and somewbat stronger economic growth," the survey summary

Canadian province keeps aim to balance budget by 2001

Ontario to cut income tax

By Bernard Simon in Toronto

Conservative government plans to cut personal income tax rates in the Canadian province by 30 per cent over the next three years. without jeopardising its aim of balanced budget by 2001.

The tax cut, unveiled in the government's first budget since it took office last June. marks a sharp break from successive increases imposed by all levels of government in Canada over the past two

Ontario, which accounts for sbout 40 per cent of Canada's total economic output and is an active borrower on world capital markets, is well behind most of the other nine provinces and the federal govern-ment in bringing down its budget deficit.

This week's budget projected a deficit of C\$8.2bn (US\$6bn) in the year to March 1997, down from C\$9.1bn in 1995/96. The Conservatives hope that public spending cuts and continuing economic growth will more than offset the new tax conces-

Mr Ernie Eves, provincial finance minister, said: "Unless we reduce our current levels of taxation, we will never return to prosperity, we will never create enough jobs to give Ontarians a secure future, we will never generate enough revenues to balance the bud-

strategy, but economists can-tioned that a recession could derail the deficit reduction tar-The government has yet to

cent by 1999.

Social activists and other

critics opposed the tax cut, say-

ing the funds would be better

used to ameliorate cuts in gov-

ernment services, which have

included a 22 per cent reduc-

tion in welfare payments and lower funding for community

The business community

generally welcomed Ontario's

including the possibility of sevrate will drop, on July 1, from 58 per cent of federal tax pay-able to 54 per cent. Further eral large privatisations. Even so, Richardson Greencuts will bring it to 40.5 per

shields, a Toronto securities firm, said in a commentary vesterday that the commit ment to fiscal discipline by tha federal government and the provinces was "a vital element in our expectation of a secular rise in the Canadian dollar and narrowing long-term interest-rate spreads".

Mr Eves also moved to improve the business climate by exempting businesses with annual wage bills of less than C\$400,000 from payroll taxes used to finance health care ser-

This concession was offset offer full details of its planned by a bealth surtax on middleoverhaul of the public sector, and high-income earners.

Big step on Guatemala's tortuous road to peace

Social reform deal brings closer an end to Central America's remaining civil war, writes Fiona Neil

The signing this week of a aocial reform agreement by the Guatemalan government and leftwing guerrillas marks a big step forward in the slow trudge to wrap up Central America's longest and last remaining civil

The agreement is also another feather in the cap of President Alvaro Arzú who has surprised both friends and foe since he took office in mid-January with a reputation as a tough rightwing businessma and a member of Guatemala'a

exclusive white clite. The significance of the agreement lies less in its sketchy content than in the fact that the biggest burdle to a final peace accord has now been cleared after almost a year of tortuous discussions.

With only three issues - the role of the army, constitutional reform and the re-integration of guerrillas back into society remaining on the negotiating agenda, Mr Arzú's pledge to sign a full accord with the Guatemalan National Revolutionary Unit (URNG) to coincide with independence day celebrations on September 15 no longer seems the product of post-electoral euphoria.

The five-point agreemant addresses a range of issues aimed at attacking the poverty that has fuelled the 35-year civil war, but is short on specifics. The most important points include the creation of a land bank to provide soft loans for poor peasants to buy property, the introduction of a land tax, and the establishment of a registry to define land owner-

All these measures are designed to attack Guatemala's notoriously akewed land distribution, without offending powerful landowners, who nearly derailed the peace process last year because they feared the government would back some kind of agrarian reform. Land distribution has been a fulcrum of conflict in Guatemala

The government also agreed to double health and education spending over the next four years hy improving tax collection rather than raising taxes. There is something for everyone. No one can say they have been sold out," said one Euro-

pean diplomat. The peace breakthrough is another example of Mr Arzú's ability to manoeuvre skilfully over Gnatemala's political minefield, winning support from a fledgling centre which may finally stamp out the tendency towards extremism in polarised Guatemala. His closest advisers include a handful of intellectual heavyweights some former URNG sympathisers - whom analysts say have

softened his National Advancement Party's rightwing image. He himself made the key breakthrough in late March by making a surprise visit to the guerrillas' headquarters in

Mexico City. The URNG subse-

of a small but sophisticated group of reformist officers who dominate the military high command.

Analysts say these officers believe Guatemala's notoriously brutal and corrupt army must clean up its bouse if wants to win international credibility and maintain its dominant role in the country's internal politics.

Mr Arzú still faces an uphill struggle. Classified documents recently released by the US



President Alvaro Arzú: surprising initiatives for peace Picture Reuse

open-ended ceasefire as a gesture of goodwill. It was rapidly matched by Mr Arzú, who ordered the army to end all counter-insurgency operations. Mr Arzú has won interna-

tional aupport for acting swiftly to make good his electoral promise to attack crime rackets by purging elements of the powerful army accused of being corrupt, including a number of generals.

missing them as routine, privately ministers say those removed were involved in crime rackats ranging from kidnapping to international car theft and drug trafficking. The daring and unprece-

dented purge has the support

quently announced an historic State Department relating to army killings of US citizens in Guatemala may resurrect the thorny issue of human rights. While Guatemala's army is

prepared to tackle corruption in its ranks, it is onwilling to punish members for war crimes which have claimed the lives of around 100,000 civilians

The country is also in the midst of a crime epidemic which many fear may worsen While the government played down the charges, disafter a full peace accord is signed, as occurred in neighbouring El Salvador. According to a recent news-

paper report there are an average of 10 killings and three kidnappings a day in Guatemala. Some say the crime wave may be part of a backlash by purged army officers without 8 job.

The Management Board

of Poliski Bank Rozwoju S.A. - Polish Development Bank in Warsaw hereby informs that pursuant to Art. 393 § 1 of the Commercial Code

The provincial income tax

and § 28 point 2 of the Company's Charter it convenes

the General Meeting of Shareholders to take place on 21 May 1996 at 13.00 hours in Warsaw at 5 Plac Trzech Krzyzy in the POD KOPULA Hall of

the Central Planning Office Building with the following agenda

1) Opening and appointment of the chairman;

2) Establishment of validity of the meeting; 3) Adoption of the meeting agenda:

4) Appointment of the returning (vote counting) committee;

5) Consideration of the Report of the Management Board on Activity of the Company, the Company's Financial Statements and the Report of the Supervisory Board (Bank Council) on examination of the above-named documents:

6) Adoption of the resolutions on the following matters;

- Approval of: the Report of the Bank Council on examination of the Company's Pinancial nents; the Report of the Management Board on Activity of the Company; and the proposal of the Management Board on profit distribution;

- Approval of: the Report of the Management Board on Activity of the Company; and Financial Statements in respect of 1995 including the Balance Sheet, Profit and Loss Account, Supplementary Information, and Cash Flow Statement;

- Distribution of profit in respect of 1995;

Acknowledgement of the duties performed by the Management Board and the Bank Council; 7) Adoption of a resolution on establishment of an employee incentive awards fund; 8) Adoption of a resolution on changes to the bank's Charter.

9) Adoption of a resolution on increasing of the discretionary fund being equity of the bank's Brokerage Office:

10) Conclusion of the Meeting.

The Management Board of Polski Bank Rozwoju S.A. - Polish Development Bank (PDB) informs that pursuant to article 399 § of the Commercial Code, the right to participate in the General Meeting of Shareholders is due to owners of bank's bearer shares if those persons submit at least one week prior to the date of the General Meeting a deposit certificate issued by the Brokerage Office or a certificate issued by the brokerage office maintaining their investment accounts. The latter certificate should contain a clause stating the number of shares beld, and statement that at issuance of the certificate the said shares have been blocked at the investment Account until completion of the General Meeting.

In place of deposit certificates, the shareholders may submit a proof of placement of the deposit certificate in a bank safe-keeping facility or with a notary public. The said proofs contain information on the number of shares beld and state that the deposit certificates shall not be returned before completion of the General Meeting.

The certificates or deposit certificates should be submitted to the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Flour, cotrance from Poznanska Street) between 6 May and 13 May 1996,

The list of shareholders authorised to take part in the General Meeting pursuant to article 400 § of the Commercial Code will be posted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznanska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8,30-15,30.

The shareholders may take part in the General Meeting and execute their rights to vote in person or through proxies. Power of attorney should be granted in writing under the rigour of being found null and void.

Representatives of legal persons should present the excerpts from appropriate registers which name the persons authorised to represent those entities. Any person not entered in the above-mentioned register should present power of atomey in writing.

Joint owners of shares are obliged in indicate in writing their joint representative authorised

to take part in the General Meeting. Persons authorised to take part in the General Meeting will be able to voting cards and to register those cards on the day of the General Meeting at the entrance to the meeting ball between 11.00 and 13.00.

The following changes to the bank's charter are proposed:

I) in § 13 words "in another way indicated by the Bank" shall be substituted with words» by takeover of the object of the lien to become a property of the Bank". The second second sentence shall be deleted.

a) in section 2 words, "until 31 May" shall be substituted by words- until 30 June",

b) section 4 shall read: -4. Convening of the General Meeting of Shareholders shall be done by means of an announcement in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) published at least three weeks before the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the daily

newspaper Rzeczpospolita at least weeks prior to the date of the General Meeting", the previous wording of section 4 is: -4. Convening of the General Meeting of cholders shall be done by means of two announcements in Rzeczpospolita, a daily with nation-wide circulation, at least 10 days prior in the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the Financial Times at least 10 days prior in the date of the General Meeting",

c) section 5 is added which shall read as follows: +5. In the announcement convening the General Meeting the date, hour and place of the General Meeting as well as the detailed

agenda shall be included. In case of an amendment to the Charter the announcement should refer to the currently valid provisions and present the text of planned amendments.", 3) in § 29 the section number, "1" and section 2 shall be deleted,

4) in § 31 in section 1, following the word "votes" the word "cast" shall be added,

shall require a 3/4 majority of votes cast",

5) § 32 shall read: •§ 32. Resolutions concerning issuance of bonds, including bonds convertible to shares, changes in the Charter, disposals of the company, merger and dissolution of the Company are taken by the majority of 3/4 of votes cast." the previous wording of § 32 is: »§ 32. Resolutions concerning issuance of shares, bonds,

changes in the Charter, changes in the subject of the Bank's activity, or merger of the Bank

6) § 33 section 2 shall read: «2. In case when there is on quorum, as specified in section 1. during a General Meeting the persons coovening that Meeting shall convene another General Meeting in 14 days time. In such a case the Meeting is valid indifferent to the number of shares represented at such a Meeting."

the previous wording of § 33 section 2 is: -2. If a properly convened General Meeting has on quorum, as specified in section 1, the persons convening that Meeting may set a second date for the General Meeting. In such a case, resolutions may be adopted irrespective of the

a) point 2 shall read: -2 examination and ratification of the report on activities of the company and the financial statements including the balance sheet, profit and loss account for the past year, additional information and cash flow,",

the previous wording of point 2 is: «2. examination and ratification of the balance sheet, and the profit and loss account in respect of the past year,", b) following point 2 point 2s shall be added which shall read as follows: -2a. distribution of

profit or coverage of the losses,". g) in § 36 point I shall read: -1) ratification of the report of the Management Board concerning activities of the Company and of the financial statements including the balance sheet, profit and loss account, additional information and cash flow.".

the previous wording of point 1 is:«1) initial ratification of the Management Board reports, the Bank's balance sheet, and the profit and loss account in respect of the past year.". 9) in § 40 in section 1 words-commercial ledgers" shall be substituted with words -accounting ledgers",

10) § 41 shall read: § 41. The financial statements and written report concerning activities of the Company should be prepared by the Management Board within 3 months following the end of the business year and then presented to the Supervisory Board for approval. The Supervisory Board is obliged to take a resolution coacerning approval. The Supervisory Board is obliged to take a resolution concerning approval of the filed documents within 1 days following the date of receipt of the financial reports and the report concerning

the previous wording of § 41 is-§ 41. The annual balance sheet, profit and loss account and wri0en report concerning aclivities of the Company should be prepared by the Management Board and approved by within 3 months following the end of the business year. Within the subsequent 2 months these should be submitted with the General Meeting of Shareholders for approval."

11) § 44 shall read:-§ 44. The announcements concerning the Bank and required by law shall be published in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) according to the effective regulations and once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.".

the previous wording of § 44 is:w§ 44. The announcements concerning the Bank and required by law, with the exception of those mentioned under § 28 section 4 of this Charter. shall be published once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise."

Management Board Polski Bank Rozwoju S.A. - Polish Development Bank.

Ministers split

on competition

The government should have no role in the creation of

national corporate champions, Mr Ian Lang will say today in a

break from the approach adopted by his predecessor as trade and industry secretary. Mr Michael Heseltine, who is now deputy prime minister. Mr Lang will also stress that the

promotion of domestic competition is back at the heart of his

promotion of domestic competition is back at the neart of his role as arbiter of mergers and acquisitions. This return to the so-called Tebbit doctrine of the mid-1980s – which takes its name from the former trade secretary. Lord Tebbit – is the

clearest indication yet of the sharp divide which has opened

Mr Heseltine has always been more committed to the prome

tion of competitiveness and inward investment than the foster-

ing of domestic competition. The statement by Mr Lang in a

speech today to a conference on utilities, has many implica-tions for British industry and the City of London, since as trade and industry secretary he plays a quasi-judicial role in deciding whether takeovers should proceed. At the conference, organised by the Adam Smith Institute, the free market think tank, Mr Lang will say that he will use his powers to stimulate connectition in the utility industries. However, he will also

competition in the utility industries. However, he will also

make it clear that this philosophy underpins his approach to

Mergers watchdog is defended

Robert Peston, West

UK NEWS DIGEST

EU edges towards easing of 'mad cow' curb

The European Commission yeaterday demanded that Britain impose tougher controls on the production of gelatin and tallow made from cat-tle slaughtered in the UK as a precondition to the European Unioo lifting its han on the products. The demand is central to a strategy mapped out yesterday by Mr Franz Fis-chler, the EU agriculture commissioner, to prepare the way for an easing of the six-weekold ban. The plan still has to

be approved by the EU's standing veterinary committee, which is due to meet again next Wednesday. Yesterday they ended a two-day meeting, deferring all decisions to next

Mr Douglas Hogg, UK agri-culture miniater, last night posal as "an important step", but he repeated his demand for an early lifting of the full ban on beef exports. Mr Hogg's aides said they believed the British beef industry could "live with" the cooditions attached by the commission to the lifting of the export ban on gelatin and tallow. But they accepted there was

still substantial EU opposition to even a partial lifting of the beef export ban, particularly from Germany. In addition, EU officials warned that there were still doubts over whether EU veterinary committee, which consists of representatives from member states. would agree to Mr Fischler's plan. However, ooe official added: "If agreement could be reached on this it would create the psychological conditions in both the UK and other member

states to improve the situa-

But he said the commissioo "has to act carefully. There is no point being radical on this issue if the member states will not follow us." The commission is demanding that only authorised plants should be allowed to make gelatin and tallow and that labelling should show what production techniques bad beeo used.

Once these measures are put into actioo the Commissioo considers that it would no longer be necessary to main-tain the export ban," a com-

Factories in retreat

Relance of trade (in total manufacturers, £bn)

1970 72 74 76 78 80 82 84 86 88

mission statement said. The commission statement added that the proposals matched recommendations from the World Health Organisation which said that gelatin was safe if the manufacturing process "has been demonstrated to significantly inactivate any residual infective activity that may bave been present in source tissues. Tallow is like-wise safe if effective rendering

procedures are in place". EU officials confirmed that Mr John Major, the British prime minister, had written to Mr Jacques Santer, president of the commission, pressing for a "rapid solution" to the problem. Mr Major suggested that, if no progress could be made, a summit of EU heads of state should be called.

The British government's cull scheme finally began yesterday as about 1,000 cattle aged over 30 months were destroyed. But most of the slaughterings were in Scotland and Northern Ireland, with only about 100 in England, and hottlenecks continued to he reported. The government said on Tuesday there was a backlog of 120,000 cattle.

Central bank downbeat on EMU

Economics Correspondent

Financial markets will punish the UK by pushing up its bood yields if it stays ontside a single cnrrency, Mr Eddie Goerge, the governor of the Bank of England, warned yes-terday. But if the UK enters a single European currency it will be tying itself to a project which looks increasingly risky, he added.

Mr George saidthe receot economic slowdown oo the mainland of Europe had left bim "more doubtful than a year ago" as to whether the cooditions would be in place for bealthy monetary union in 1999 - the planned starting

His comments provided a stark ontline of the unpalat-able choice that any future UK government will face later this lecade if European mooetary unioo goes ahead.

However, his downbeat analysis is likely to be rebuffed by Mr Yves Thibault de Silguy, the European Union's monetary commissioner, who meets with UK businessmeo and political leaders in London today and tomorrow. Mr de Silguy hopes to use

the meetings to win support for EMU. He will meet the oppposition Labour party's shadow chancellor of the exchequer, Mr Gordon Brown, and the deputy prime minister, Mr Micbael Heseltine. He will also promote the advantages of a future exchange rate mecbanism to tie those outside RMU to the single currency.

Commission officials insist that they do not intend to try to "bully" the UK into reentering a future ERM. However, Mr de Silguy will argue that full sovereignty is a myth for countries in the modern world - and insist that a single curreocy could iocrease

jobs and economic growth. But the problems Mr de Silguy will face in persuading UK officials of this were underlined by Mr George.

Speaking to the House of Commons Treasury select committee, Mr George pointed out that the bigh unemployment levels in Europe, and the variation between countries, were an important factor threatening the viability of the single currency project.

But although be said that the recent slowdown in Europe made convergence towards EMU increasingly difficult, he added that political pressures in France and Germany meant they were likely to press

ahead anyway.
The UK could face the risk of discrimination if it stayed outside EMU, be added.

Meanwhile, bond yields would almost certainly rise although in the longer term he boped that prudent economic management might eventually lower them. "The financial markets would penalise us they would be suspicious about wby we had stayed ont and would demand a premlum." be said.

By Gillian Tett,

Past and present members of the Monopolies and Mergers Commission have defended its handling of the electricity gen-erators' hids for two regional distributors. They were respond-ing to last week's resignation from the commission of Mr David Kinnersley, a former chief executive of North West Water who criticised tha MMC's workings and called on other members to quit. Mr Kinnersley was speaking after Mr Ian Lang, the trade and industry secretary, blocked the bids by National Power and PowerGeo for Southern Electric and Midlands Electricity despite an MMC recommendation that they should be allowed to proceed.

all takeovers, in whatever industrial sector.

between Mr Lang and Mr Heseltine.

Commission members contacted by the FT rejected Mr Kin-nersley's criticisms. One member, a lawyer, said: "I can't see any validity or strength in his points and I'm certainly not aware of unease or unrest in the commission. We're in a 'no

Stefan Wagstyl, Robert Rice and Andrew Bolger

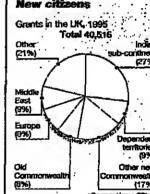
Equitas failure cover is offered

Lloyd's of London Names are being offered tha Lloyd's of London Names are being different that chance to buy protection against the possible failure of Equitas, the insurance market's planned rescue vehicle. The product, launched by Aon Re Special Risks, part of the Aon broking group, could help Lloyd's sell its planned recovery plan - of which Equitas is part - to Names, individuals whose assets have traditionally supported the insurance market. Equitas will take responsibility for billions of dollars of US asbestos and pollution-related liabilities and is intended to allow Names to draw a line under their affairs at Lloyd's and leave. Some Names fear that, if Equitas has insufficient assets, they might face extra bills. The new product will allow them to protect specified assets against Ralph Atkins, Insurance Correspondent

Business park near airport

A £100m (\$151m) business park is to be developed at Manchester Airport in northern England in a joint venture by Arlington Securities and Manchester City Council. The park will bouse about 4,000 jobs on a 20ha greenfield site near the airport's terminal buildings and hotels. The airport, owned by Greater Manchester's 10 local authorities, is the ninth largest Ian Hamilton Fazey, Manchester

Fewer gain citizenship



More people from the Indian subcontinent than any other region were granted British citizenship last year, followed by other entrants from the "new" Commoowealth, the Middle East and Europe government figures show. The Home Office said that, of 40,516 people granted British citizenship last year, 27 per cent came from Pakistan, Bangladesh, India and Sri Lanka. Other "oew" Commonwealth countries in Africa, the West Indies and elsewhere made np a further 17 per cent. Citizens (17%) from the "old" Commoowealth - Australia, Canada, South

3.

Africa and New Zealand - made up 8 per cent of those becoming British. The figures mark a cootinuation in the gradual decline in the oumber of people awarded citizenship from 117,000 in 1989 and 59,000 in 1991. This happeoed despite a continued increase in the number of applications for citizen-ship from 43,000 in 1993 to 52,000 last year. Nearly 45 per cent of the grants were made on the basis of residence, with a further 30 per cent for marriage to a British citizen. Mark Suzman, Social Affairs Correspondent

Workplace illness rises

The health of the British workforce leaves much to be desired. say two reports. Working days lost through strikes - once called the national sickness - are at their lowest level since records began in 1891 but evidence continues to mount that the oew oational sickness is sickness itself. With rising absenteeism costing around £11bo (\$16.6bn) annually, the government's Health and Safety Executive said that more than 2m employees each year were suffering ill-health either caused or aggravated by the workplace. The HSE's comments coincided with a report claiming that Myalgic Encepbalomyelitis, otherwise knowo as ME, is costing nearly £1.5bo a year in benefits, medical hills and loss of government revenue. At least 150,000 people in Britain are thought to be affected by the illness, characterised by exhaustico and lethargy. Michael Cassell,
Business Correspondent

Manufacturing decline heads for a soft landing

By Graham Bowley in London

The empty, devastated factory landscapes of the early 1980s and 1990s were testament to the last great contractions of Britisb industry.

Official figures published today are expected to show that, after a period of relative hnoyancy since 1992, manufacturing may ooce again be set for further contraction as it teeters on the hrink of reces-

Its latest woes - which have seen the annual growth rate in manufacturing output fall from 4 per cent last March to about half a per cent at present -have been exacerbated by a large build-up in unsold stocks of finished goods and a fresh deterioration in export perfor-

Export demand in some of the UK's main overseas markets bas virtually dried up thanks to their slower growth. Export volumes to the European Union have falleo by 3 per ceot since last Joly although exports outside the

EU remain buoyant. These present troubles may prove temporary but they oevertheless mark the latest step in a long and painful process which has seen manufacturing's importance in the UK ecocomy shrink.

Manufacturing's long-term demise has been inextricably linked - as it is now - to the UK's poor trade performance, understandably so since tradeable manufactured goods make up the largest part of most developed countries' exports. An overvaloed exchange rate at crucial points during this

Industry said yesterday that it was happy for UK interest rates to remain unchanged for now, our Economics Editor writes. "Our view on interest rates is that they can be left on hold for the time being". said Mr Sndhir Junankar, associate director of economic analysis at the CBI, Britain's largest employers' organisation. He added that the economy would have to weaken more to justify a further reduction in base rates from their current 6 per cent. Mr

period was blamed by many for the poor trade performance. In the early 1990s tight monetary policy and the UK's buge oil exports led to a strong pound which wrought havoc in the manufacturing sector. Industry suffered again during sterling's membership of the European

On a brighter note, Oxford Economic Forecasting, the ecocomics consultancy group, believes manufacturing may now be poised to outperform the rest of the ecocomy belped by the UK's relatively low wage costs which mean manufactured goods can be competitive in international markets. UK hourly labour costs are 46 per cent lower than in West Germany and 44 per cent lower than in Japan, it estimates.

exchange rate mechanism.

But even if manufacturing's absolute decline is halted, its relative share of overall GDP looks set to remain stable at

Industry content with unchanged rates

The Confederation of British Junankar made his comment shortly after Mr Kenneth Clarke, chaocellor of the exchequer, and Mr Eddie George, governor of the Bank of England, concloded a routine mooetary meeting. As expected, oo cut in rates was announced in the immediate aftermath of the meeting. Meanwhile the CBl published its latest analysis of regional trends in UK manufacturing indostry. It reported that orders fell sharply in six ont of 11 regions in the four months

> best. While manufacturing has been in the doldrums this year, the service sector has continued to grow rapidly - at an annual growth rate of 2.8 per ceot in the first quarter of this But should we be worried by

British industry's relative decline? Ms DeAnne Julius. chief ecocomist at British Airways and co-author of a prize-winning essay oo de-indostrialisation, thicks oot, "There is nothing special about manufacturing that means it sbould receive special attention from government policy. she said. Mr Geoffrey Dicks, ecooomist at NatWest Markets,

agrees there is small cause for coocern. "We cannot live by services alone because a lot of the sector services manufacturing. But that said, it is not worrving that manufacturing has become as small a part of the

76 1948 70

The UK bas also avoided the balance of payments problems thought inevitable as imports continued to be sucked into the UK without the manufactured exports to pay for them.

And the UK's experience is not unique - a move away from industry towards services is a treed common to most

developed countries. Despite its present troubles, UK manufacturing's relative decline may be cearing an eod, whereas in other countries such as Germany and Japan there appears still to be much further to fall.

Samuel Brittan, Page 14

Sales of trucks (Jan-April 1996)

	11101 30. 00	
Trucks (over 3.5 tonnes)	A	
Total 47.080 6.0	100.0	100.0
Imports 10525 12	61.6	58.6
veco group (Field) 3,729 5.5	21.8	21.7
Leyland Daf (Daf Trucks) 3,192 15.6	18.7	20.8
Mercedee-Benz (Daimler-Benz) 3,609 0.9	17.6	16.7
Scanio (Investor) 2,235 11.1	13.1	11.1
Volvo 1.890 -9.0	12.1	114
MAN 1018 89	6.0	5.1
FRF 722 31.3	4.2	5.8
Renautr 655 6.9	3.8	3.4
	. /	
Of which Heavy Trucks (over 15 tonnes)	•	
Total 10.526 -7.5	100.0	100.0
Scarrie (Investor) 2.235 11.1	21.2	17.7
Volvo 1.759 -8.2	16.8	16.9
Leyland DAF (DAF Trucks) 1,718 -14,4	.16.3	17.7
lveco group (Flat) 1,356 5.0	12.9	12.5
Mercedes-Benz (Dalmier-Benz) 1,154 -16.5	11.0	12.2
ERF 722 -31.3	6.9	9.2

frames in brackets indicate ownershipt; "Includes treco Ford and Seddon Attonson.

Industry fears that a two-year recovery in the truck market is over were confirmed yesterday by figures showing a 14.6 per cent year-on-year fall in registrations of trucks of more than 3.5 toppes last month, John Griffiths writes. Statistics from the Society of Motor Manufacturers and Traders sbowed that April's registrations fell to 4.257 vehicles compared with 4,983 in the same month a year ago. The market for the first four

per cent below the same period last year, with 17,080 vehicles registered compared

with 18,169. Commercial vehicle sales are regarded as a useful indicator of economic activity. But the figures are sending ont conflicting signals, as registra-tions of lighter commercial vehicles continued to be relatively bnoyant in April. Total new commercial vehicles registrations last month were 0.8 per cent higher than in the

Rescued vanmaker seeks partners for new range

By Haig Simonian, Motor Industry Correspondent

A development partoer, perbaps io Asia, is being sought by LDV, the British vanmaker which has riseo from the ashes of the former Leyland Daf group. The compaoy's choice of Samuel Mootagu, the Asia-based merchant banking arm of the HSBC banking group, as financial adviser underlines the belief of Mr Allan Amey, LDV chief executive, that LDV could find a partoer to work oo oew

Mr Amey believes companies in a oumber of oewly industrialising markets could be interested in co-operating oo a suc-cessor to LDV's current range. The oew model would combine LDV's reputation for oo-oonseose products with more modern technology. Mr Amey said he expected

the oext 12 to 18 months to be occupied by discussions with poteotial partners. LDV's 1,500 employees will be boping be finds a candidate quickly. "We are aware that the current structure of the company prob-ably woo't be suitable in the next three to five years," he

said. "Are we still going to be a times more vehicles, they geoprivate company in three years' time? I would doubt it." Mr Amey's candour stems from the fact that LDV is a minnow in a shark-infested sea. With sales of just 15,200 vans last year, it ranks as the smallest of Europe's volume vanmakers. Moreover, almost all its business is in the UK, robbing it of the ability to ride out national business cycles by spreading its sales internation-

Yet Mr Amey was confident that LDV had a future. The company had flourished in the three years since the collapse of Leyland-Daf, be said. Production had climbed steadily, and turnover jumped 43 per ceot to £216m (\$326m) last year wbile pre-tax profits rose 27 per cent to £23.3m.

Sucb figures bave embarrassed the experts who pre-dicted LDV was heading towards bankruptcy after its rescue, lostead, it has flourisbed by cooceotrating on simple, sturdy vans, which can be tailored relatively cheaply to the customers' iodividual

While bigger rivals, such as Ford and Fiat, produce many

erally come in fewer variants. That means fleet buyers who want special features, such as a sliding door here or a rolling door there, have to seed their oewly-acquired vehicles to a specialist bodybuilder for conversion. By contrast, LDV does the job itself straight off the production line.

The company bopes its oew models and its move back into exports will lift sales to 17,000 vehicles this year. But while improved products and broader distribution will raise cash-flow, they will not be eoough to guarantee LDV's long-term future. In spite of styling changes, the oew Pilot and Convoy can be traced back to the 22-year old Sherpa van.

The new models may refresh the range sufficiently to carry LDV into the next ceotury, but the company will evectually have to come up with a new product. That is where the trouble starts. Mr Amey reckooed a oew van would cost £150m (\$226.50m) to develop: many in the industry would put the figure appreciably higher. Either way, it is probably beyood the company's

US and S African governments face suits over weapons-to-Iraq case

Ex-arms dealer to sue over jail term

By Jimmy Burns in London The former British intelligeoce

agent and company director at the beart of the arms-for-Iraq affair, Mr Paul Grecian, yesterday said he planned to take legal action against the South African and US governments for wrongful imprisonment. Mr Grecian arrived back in the UK from South Africa after a Johanneshurg court rejected a US request for his extradition on charges of conspiring to sell artillery fuse components to Iraq in violatioo of an arms

He described the past six months, during which be was held in South African prisons while facing pressure from US

bas caused him and his family distress. There is oo doubt in anyhody's mind that the Americans have oot acted in very good faith, and that the action of certain officials in South Africa left grounds for serious concern," Mr Grecian said at a press conference in the House of Commons organised by Ms Ann Clwyd, the opposition Labour party MP who has campaigned oo his

Mr Grecian was arrested in December by South African police oo an Interpol warrant while visiting his fiancee, even though a British appeals court had just quashed his conviction for illegally exporting arms to Iraq via Jordan. Yesterday he accused a US sonal vendetta agaiost him, and urged the UK government to intervene to have his Interpol warrant cancelled. Mr Grecian's release from

prosecutor of cooducting a per-

South Africa followed intense behind-the-sceoes discussions between senior officials at the Foreign Office in London and members of the Maodela administration. A former director of Ord.

nance Technologies (Ordtect, a Britisb-based engineering company, Mr Grecian was convicted in 1992 of illegally sell-ing arms to Iraq. But the conviction was overturned last year after new evidence, with-held from the defeoce in the original trial, was uncovered by an independent inquiry

headed by Sir Richard Scott. Official documents aboved the UK government had known UK arms were being supplied to Iraq via Jordan but had chosen to turn a blind eye. They also showed that Mr Grecian had been among the first informants to provide the UK intelligence service MI6 with crucial information about the

Iraqi aupergun project.
US prosecutors are persisting with the case against Mr Grecian, alleging that be used showing that artillery fuse components were destined for Jordan to obtain an export liceoce for the US manufacturer, the New Jersey-based Rexon Technologies Corpora-

Ostrich farming attracts protests

Financial Times Reporters

Investors in ostriches were mocked by animal welfare campaigners outside the High Court in London yesterday as the Ostrich Farming Corporation warded off an application by the British government to

wind it up.

Dressed as a "City gent" astride a pantomime ostrich, Mr Richard Hardy (right), of the Compassion in World Farming group, said the wild birds were ill-suited to life in small paddocks in a cold, wet

But Mr Rob Collard, a Welsh ostrich farmer who is offering to ship birds belonging to OFC investors from a farm in Bel-

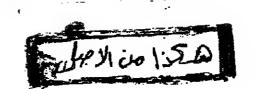
gium, said: "These are teething troubles for the ostrich industry, that's all."

The government's application to wind up the OFC was postponed after the company axid it needed more time to prepare its defence.
Afterwards, ooe investor

said: "We are all very coocerned about the whole situation. We want it sorting out as soon as possible. The whole thing is a nightmare." The Official Receiver was

appointed in April as provisional liquidator of the OFC. which took millions of pounds from several thousands of investors by "guaranteeing" annual returns of more than 51





Cinema/Nigel Andrews

Growing up

and rites

of passage



ARTS

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of the 1970, when

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Commission sover

dom about Life. White Squall is a rite-of-passage movie about schoolboys growing up. Mr Holland's Opus, as an early captioned quotation suggests ("To teach is to learn twice"; Joseph Joubert), is a ditto movie about a schoolteacher growing up. The first film is based on a true

WHITE SQUALL

Ridley Scott

MR HOLLAND'S OPUS

Stephen Herek

EXECUTIVE DECISION

Stuart Baird

STONEWALL

Nigel Finch

100 DAYS BEFORE THE COMMAND

Hussein Erekinov

Bill of Rites. It decrees that every

male citizen, bar none, must go

through some major testing experi-

ence, either to prove that he is a

man or to learn some higher wis-

ome constitutional imper-

atives are no less forceful for being unwritten. Just

as America has her Bill of

Rights, Hollywood has its

story about a school ship that sank in a Caribbean squall in 1961, with 13 survivors and six dead. Tension, scenery and spectacle abound, along with the manhood lectures. The other, a Mr-Chips-witheverything epic about 30 years in the life of music master Richard Dreyfuss, offers tears, comedy, family drama, more tears and a climax that for sheer schmaltz makes The Sound Of Music seem like Huis

White Squall, directed by Ridley Scott, is low art with a high art sheen. It looks like every sea painting you ever wanted to steal off a gallery wall. The rearing brigantins riding the high-clawing, silvered waves; the Turnerish storms blend-ing their gloomy, glowing half-colours; the hot-hued exoticism of hulls

Mind you, the maker of Alien and Blade Runner is getting careless with his exoticism when he strews Spanish moss and palm trees over an early scene set in nordic Connecticut (actually shot, end credits reveal, in South Carolina). And we scream louder at the phonier impo-sitions that follow. This tale of boys on the briny under the rasping aegis of Captain Jeff Bridges, now looking frighteningly like father Lloyd, becomes a excuse for two

hours of contrived adversity and preachy inspirationalism.

Even before the squall strikes – ten fine minutes of shivering timbers and exploding water - we have had the boy with vertigo who is forced to climb the rigging, the boy with father troubles who harpoons a symbolic dolphin, and the boy who writes arch voiced-over diary entries like "Today I leave the path chosen for me.

The voyage and its horrors finally teach the lads, or the surviving ones, the virtues of teamwork and respect for authority. But if they had wanted to learn cracker-barrel wisdoms they could have enrolled in Dead Poets Society, which this film painfully, if at times pictur-

esquely, resembles.

Mr Holland's Opus is silly too, but more lovable. Richard Dreyfuss wants to write the great American symphony but is stuck with teaching the great American unwashed. The place is an Oregon high school from the 1960s to the present day.

Like Michelle Pfeiffer in Danger ous Minds, Dreyfuss learns that it is no use knocking on his pupils' minds straight away with high culture. So he puts on bold his own preferences to give them the Beatles instead of Bach, the toys instead of the 12-note system.

Judging by Dreyfuse's own com-positions, which sound like Aaron Copland rearranged by Mantovani, ha is hardly up there with the avant-garde himself. But this is just one of the ways in which the film has its Virtuous Elitism cake while eating a cheap and tasty one that looks the same. Dreyfuss earned an Oscar nomi-

Jeff Bridges as the captain in Ridley Scott's tale of boys on the briny, 'White Squall'

from boyish wig and bright psncake complexion to white hair and granny specs in 2½ hours, but even he cannot steer us through so much manipulation without our feeling used and abused. There is the wife (Glenne Headly) who sighs, laughs and/or sniffles with him through every crisis. (Don't women have a lifs of their own? Not in Hollywood). And there is the deaf son our hero neglects - lavishing time instead on the school's needy black drummer and auburn-haired clarinettist - until the multi-Kleenex moment when he sings a song especially for him, with sign language, at a deaf school concert.

The terrible thing is that the film jerks tears from us even as we despise our own gullibility. Reflexologists should look into this. Maybe it is the timing a 150-minute press show on a light breakfast. Or maybe it is the magic of stars. When an actor like Dreyfuss puts his all into e role - shrugs, tics, chuckles, whiplash asides, brimming eyes we go along with the singer even

farce of Feydeau, perhaps it lies in the fact that the English

version of the genre is so often

fuelled by embarrassment. Discov-

ery, or the possibility of discovery,

hrings with it a sense of shame. Whereas in Feydeau, certainly in Peter Hall's new production of Mind

Millie for Me (Occupe-toi-d'Amelie),

tha characters do not even have the

redeeming grace of the potential for

embarrassment: they are all so beartless and greedy that their sole

motivation is not to be found out

until they have had time to pursue

their frantic strategies.

Snappily translated by Hall and Nicky Frei, Mind Millie for Me is set in turn-of-the-century Paris and

revolves around an upmarket cour-tesan, Millie, who is left to the ten-

while having doubts about the song.

As well as on sea and land, Executive Decision shows you can learn wisdom five miles up in the air. Over the Atlantic the passengers of a Washington-bound jumbo jet fall prey to a trigger-bappy Arah hijacker (David Suchet) with prisoner-freeing demands. On board, the Pentagon learns, there is "enough nerve agent to blow up half the Eastern seaboard." Can CIA agent Kurt Russell and a crack commando troop stop him by boarding the plane? Secretly, and in mid-air? We wish to say at this point that

Mr Suchet is in no way representative of a just and tolerant race, as witness the Islamic henchmen, who get shot when they dispute his com-mands. We also respect the right of religious extremist groups to pro-vide much-needed distraction on long-haul flights. This group even allows a showing of the in-flight movie to the passengers, who must have begun to believe they were the in-flight movie.

betrayed his trust, he takes his

revenge by sabotaging the fake wed-

ding so that the two are in fact

In Hall's bright, brittle, eagle-eyed

production the ruthlessness of these

self-centred individuals is empha-

sised. Unlike some farces, which

begin with near-normality and spiral out of control, here we appear to

be in a world that is permanently beyond moral repair. Like all Fey-

deau's farces, the plot is an inge-

nious and precisely balanced mech-

anism that works brilliantly, but we

feel as if we are looking in on just

one revolution of a ghastly machine

that continues long after we have

left. The characters are all monstrous, the atmosphere is bubbling

with hysteria right from the begin-

ning, and the whole thing has a

nightmarish quality, emphasised by

Gerald Scarfe's luridly coloured,

slightly surreal sets.

joined as husband and wife.

defused with perspiring tweezers down in the hold while up above we are amazed at all the unused loft space in these planes - Russell must monkey-clamber about with surveillance tools. Between levels a stewardess (Halle Berry) must be lured into the troop's confidence by

CONTRACTOR OF THE PARTY OF THE

with some irreverence. Instead we

get a Brechtian soap opera: 90 min-

utes of strutting, flouncing and agit-

prop attitudinising - Miranda the drag queen who specialises in being

thrown out of bars is especially

tedious - wrapped up in dialogue to die for. "We deal in dreams," says

someone. "I guess we're as Ameri-

can as apple pie."

The bomosexuals in Hussein

Erekinov's 100 Days Before The

Command are as Russian as cold

cabbage soup. Not a smile from any

of the uncloseted and often unclothed gays in this anguished tale of forbidden love in the mili-

Erekinov gained permission to

shoot in an army base by giving the

authorities a fake script. Unfortu-

nately he did not have, on this evi-

dence, a nou-faka replacement,

alternates with shots of naked men

drama and a narrative. Instead we

come out bumming the echoey bar-

are enjoyably witty performances

too from Peter Blythe as a pomp-

The show is carried along, how-

ever, by Felicity Kendal as Millie,

who succeeds in combining blatant

charm. Hers is the one character

who seems to have a beating heart

hecome a wifa, she suddenly

changes tack, suggesting that beneath the coquettish invincibility

lies a yearning for something

deeper. But for the most part this is

a perfectly-turned, hard-edged production displaying human grubbi-

Continues at the Theatre Royal,

Haymarket, London (0171-980

ness like an overturned anthill.

when she realises that she has

father:

racks and bleak Slavic silences.

remote communication, so that she can gasp and gesticulate attrac-tively for the video link-up. It is all undemanding fun, right from the way from the surprise early exit of Colonel Steven Seagal during docking manoeuvres -sucked away by a cross-draught to another film - to the inevitable moment when a non-flyer must land the quaking, perforated plane.

With so many movies teaching us to be men how refreshing, in theory, to have Stonewall and 100 Days Before The Command. The first is Nigel Finch's tribote to the 1969 Stonewall riots, when police and homosexuals clashed outside the eponymous bar in Greenwich Vil-

The event has become so sacra-Meanwhils a bomb must bs mental in gay lore that it could do

ire of a society where rank is all,

where a woman can be passed

around like a bank-note and where

marriage is the biggest disaster that can befall anyone.

break-neck speed, is admirably detailed and often very funny. But

you are never helpless with mirth: since the characters have no

warmth there can be no real sense

of betrayal, uo real anguish and no truly desperate comedy - you can-

not laugh heartfly in sympathetic

recognition of their predicament.

That said, the line Hall has taken

is expertly executed and sustained,

and the cast give superbly polished.

frantic performances. Most have found a key to their parts in move-

ment: Nicholas Le Prevost's ramrod

Etienne stalks stiffly like a jointless

dummy; Neil Pearson's manic Mar-

cel bounces as if propelled round the stage by invisible springs; his

The production whistles along at

Theatre/Sarah Hemming

Lyrical Miss **Julie**

Strindberg's midsummer night's scream of sexua attraction and class antagonism now moves to the operatic stage. The newly formed Operate (music director Philip Headlam) is a chamber opera company, the brainchild of Julia Hollander, one of the more exciting new talents in opera production (at ENO her Ferminore and Gerda garnered both brickbats and bouquets; her production of Buller's Bacchae made for

enequivocally thrilling theatre). For its inaugural production the company has chosen a composition hy Margareta Hallin, herself a distinguished Swedish soprano festival-goers with long memories may remember her blind, visionar; poetess in Blomdahl's space ship opera Aniara at Edinburgh at the dawn of the 1960s. It is a good choice, since without sacrificing any integrity, Hallin's score is accessible and emotionally quick to respond to the changing moods of the amour fou of the aristocrat and her father's manservant. Tonal, made up of snatches of melody and conversational flexibility, and with occasional hints of haunting folksong, the obvious comparis

with a Scandinavian Janáček. Apart from the three principals (the third is the down to earth servant Kristin, a confident symbol of self-righteousness amidst the socio-sexual heresies that fester ground her in the torrid midsummer air), the score calls for a string quartet. Led by NeIl Catchpole, divided into two pairs diagonally facing each other across the studio space, the young players are as evocative as Paul Russell's lighting design in both accompanying and intensifying the mood; and sometimes commenting ominously, as in sinisterly sliding violin portamenti.

vocally well defined. The manservant Jean is allowed a lyrical outburst as he rhapsodises about Stock training footage listlessly the Alps and the lovers' projected in bunkrooms or showers, as if escape to their own hotel, giving way to triple-time mockery as crosscutting alone would conjure a disillusion sets in. Both Kristin and Julie have moments of reiterated declamation on one note - despite the tragedy, the women are certainly commanding figures for misogynist Strindberg — while Julie's bright soprano can hint at Feydeau farce with a hard edge

f there is a difference between English farce and the French farce of Feydeau, perhaps it for an inheritance. But when her lover Etienne returns early and discovers that the two appear to have moral bankruptcy - his savage sat
This approach brings out Feydeau, voyeuristic Dutch uncle, pink-faced dean's despair at bypocrisy and moral bankruptcy - his savage sat
This approach brings out Feydeau, perhaps it covers that the two appear to have hysteria and the ostinato obsessiveness, darkening into her moment of chorale-like religious certainty.

All roles are well written for young voices, and are gratefully performed by Janet Mooney (Julie). formance from John Fraser). There Richard Halton (Jean) and Rose Bellingham (Kristin). They make ous, panting prince and Robert Lang as Millie's fumbling, fawning confident stage figures in Hollander's production, dominated by a spiral staircase that might have been flown in from Covent Garden's *Midsummer Marriage*, a visual reminder of the literal gulf acquisitiveness with oodles of between upstairs and downstairs that not even lust can bridge for long. And the offstage Count's boots are as potent a symbol of arrogant, unassailable masculine authority as the late General Gabler's pistols were for his little tomboy daughter, Hedda.

Martin Hoyle

Lyric Studio, Hammersmith, London W6 until May 18. Supported by Absolut Vodka, NikeNo, the Polonsky Foundation.



Felicity Kendal as Millie carries the show along

INTERNATIONAL

■ ANTWERP

De Singel Tel: 32-3-2483800

Prégardien and Michael Gees: the

soprano, tenor and pianist perform

Juliane Banse, Christoph

works by Wolf; 8pm; May 14

Konzerthaus Tel: 49-30-203090

Concerto K\u00f6ln: and pianist

Vanhal; 7.30pm; May 12

Don Quixote: by Kienzi.

Performed by the Rundfunk-

Breedt, alto Gabriele

and Robert Wörle, baritones

■ BERLIN

CONCERT

CONCERT

Philharmonie & Kammermuslicsaal Tel: 49-30-2614383

 Berliner Symphoniker: with conductor Alun Francis, pianist N. van Oosterum, violinist S. Viersen

and cellist L. Groeneveld perform

Symphony No.5 in C minor, 4pm;

Deutsche Oper Berlin Tel: 49-30-3438401

May 12

OPERA

Beethoven'a overture to Fidelio and

Alfredo Kraus: masterclass by the

tenor, featuring Camille Capasso, Abbia Furmansky, Marten Ernst Lassen, Raif Lukas, Mathias Schulz and others; 11.30am; May 12 der care of Marcel, her lover's best friend, while her lover is away. She

even agrees to a fake marriage with Marcel in order to boost his flagging fortunes by rendering him eligible Tel: 32-2-2291200 Pelieas et Melisande: by

Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathelia Stutzmann; 3pm; May

OPERA

BONN **OPERA** Oper der Stadt Bonn

Tel: 49-228-7281 Cermen: by Bizet. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include R. Ingle I. Bartz, I. Zaric, T. Karlsen, P. Naviglio and C. Conde; 7pm; May 11, 14 (8pm)

■ BRUSSELS

Andreas Staier perform works by Mendelssohn, Albrechtsberger and EXHIBITION Palais des Beaux-Arts Tel: 32-2-5078466 August Sander. Le Pont Transbordeur: exhibition devoted to Straonieorchester Berlin and the Ernst Senff Chor, conducted by the work of the German photographer August Sander. The Gustav Kuhn. Soloists include soprenos Celina Lindsley and Kisten display includes historical documents and more than 200 Blanck, mezzo-soprano Michelle photographs, including photographs for his life-work Menschen des 20 Schreckenbach, tenors Kurt Westi Jahrhunderts (People of the 20th Wolfgang Schöne and Dietrich Century); to May 12 Henschel, and basses Thomas Hay and Andreas Kohn; 7.30pm; May 11, OPERA Théâtre Royal de la Monnaie

■ COLOGNE

Opemhaus Tel: 49-221-2218240 Eugene Onegin: by Tchalkovsky.
 Conducted by David Levi and performed by the Oper Köln. Soloists include Schweikart, Döring and Andonian; 8.30pm; May 10

■ COPENHAGEN Det Kongelige Teater Tel: 45-33 14 10 02 La Forza del Destino: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Danish

Opera. Soloists include Gitta-Maria

Sjöberg, Per Hoeyer and Stephen

■ LONDON

O'Mara; 8pm; May 11, 14

CONCERT Royal Albert Hall Tel: 44-171-5898212 The Royal Philharmonic Orchestra: with conductor Owain Arwel Hughes, tenor Thomas Allen and the Royal Choral Society perform works by Holst and Walton: 7.30pm; May 12 EXHIBITION **Dulwich Picture Gallery** Tel: 44-181-6935254 Soane and Death: a major group of drawings from the Sir John

Scane's Museum on the theme of tombs and monuments is displayed in an exhibition exploring Soane's Interest in memorials and death rituals. The Dulwich Picture Gallery itself contains one of the most important of Soane's mausolea. designed for the bodies of the Gallery's founders; to May 12 **OPERA**

London Coliseum Tel: 44-171-8360111 Fidelio: by Beethoven.
Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries Keith Latham and Philip Sheffield; 7.30pm; May 10 THEATRE **Barbican Theatre**

Tel: 44-171-6388891 The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. Tha cast includes Josie Lawrence; 7.15pm; May 10

■ MADRID

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 Orquesta Nacional de España: with conductor Enrique García Asensio and piano duo Renteria-Matute perform works by Espla and De Falla; 7.30pm; May 10, 11, 12 (11.30am)

■ MUNICH CONCERT Philharmonie im Gasteig

Tel: 49-89-48098625 Tokyo Symphony Orchestra: with

conductor Norichika Ilmori and pianist Markus Schirmer perform Takemitsu's Nostalgia, Mozart's Piano Concerto in C major, K467 and Tchaikovsky's Symphony No.5; 8pm; May 12

■ NEW YORK **EXHIBITION**

Whitney Museum of American Art Tel: 1-212-570-3600 Collection in Context: Willem de Kooning's Door Cycle: exhibition reuniting a series of paintings created by De Kooning In the mid-1960s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfers of the door images, as well as photographs by Hans Namuth of Da Kooning working on the series; to May 26

PARIS CONCERT

Salle Playel Tel: 33-1 45 61 53 00 Orchestre Philhermonique de Radio France: with conductor Ingo Metzmacher and pianist Deszö Ranki perform works by Dusapin, Stravinsky, Webern and Mahler, 8pm; May 10 EXHIBITION Galerie Nationale du Jeu de

Paume Tel: 33-1 47 03 12 50 Miquel Barceló: exhibition of large paintings and sculptures by the Spanish artist; to May 12

■ SAN FRANCISCO CONCERT

Herbst Theater Tel: 1-415-398-6499 Juilliard String Quartet: perform

works by Mozart, Beethoven and Sessions; 8pm; May 11

■ STOCKHOLM OPERA

Kungilga Testem - Royal Swedish Opera House Tel: 46-8-7914300 Aida: by Verdi. Conducted by Maurizio Barbacinì and performed by the Royal Swedish Opera. Soloists include Anders Lorentzson, Pauletta de Vaughn and Jerker Arvidson; 7pm; May 10, 13

VIENNA

CONCERT Musikverein Tel: 43-1-5058681 The Met-Orchestra New York: with conductor James Levine perform works by Wagner, R. Strauss, Bartók and Gershwin; 7.30pm; May 11

■ WASHINGTON EXHIBITION

Tel: 1-202-357-2700 Contemporary Printmaking in America: Collaborative Prints and Presses: for three decades the collaborative printmaking workshop in the US has had a significant impact on visual art. Ninety works on paper, created by artists in collaboration with more than 35 printers, provide an overview of this development in contemporary art; from May 10 to Aug 4

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441 WORLD SERVICE BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) ·

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17.30 Financial Times Business **Tonight**

CNBC: 09.00

Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Toniaht

Economic Viewpoint · Samuel Brittan

Take away that gloom

The UK economy is doing better than a superficial look at some figures suggests. But it is unlikely to produce a sufficient recovery in the government's standing

UK performance: an alternative interpretation

A favourite theme of Michael Heseltine, the British deputy prime minister, is that an economic upturn, in which the consumer clearly gains, will provide a powerful political boost to the government of the day and could even get it reelected in spite of heavy odds. I have never been quite able to understand why the party in power is supposed to derive a honus from the economic growth that occurs naturally in most western economies in most years. l cannot imagine Mr

Heseltine would like an unsustainahly rapid hoom which would have to be reversed after an election. Even if he did. the financial markets would realise what was happening very quickly and there would be no shortage of Blairite commentators to translate their message to a cynical and suspicious electorate. Even now, too many analysts see weaknesses and

dilemmas that are mainly in the mind's eye. It is true that the flash estimate of firstquarter UK real domestic product shows growth still coking pretty sluggish. Real GDP rose hy only 2 per cent over the year before and only 1.6 per cent over the previous quarter at an annualised rate. This compares with estimates of an underlying growth of productive capacity of around 21. per cent.

A longer perspective at first makes matters seem even worse. Real GDP is only 8% per cent above the level it reached at the end of 1990, when the economy was officially regarded as operating around its equilibrium - ie without any gap hetween actual and sustainable output. This seems to mean that either underlying performance has deteriorated dramatically, or at the least that there remains a large negative gap between actual and potential output. In some people's terminology, the recession has never really ended.

Other analysts worry more about the composition of growth. When the recovery

,
first started after the last
recession it was led by the
export sector; and manufactur-
ing saw the greatest gains.
But the service sector has
since taken over the lead and
manufacturing has been stag-
nant since last summer. The
main dynamic element in the
economy now comes from con-
sumers. Moreover, unintended
inventory accumulation con-
tinues, suggesting that the
growth pause may well con-
tinue for some months longer.
as the stock adjustment has
further to run.
Most of the above concerns
suggest that output is too
sluggish and that policy is too
restrictive. Yet there is plenty

for those who always look for indications of a revival of inflation. Broad money growth is fairly high, not only in the UK hut in most members of the Group of Seven industrialised countries. There has heen some increase in commodity and oil prices; and reacted nervously to quite a moderate surge in US growth.

But even if one treats these monetary and financial indicators as no more than amber signals, there is not much case for lower interest rates. Many of the direct effects would be on the consumer sector, which hardly needs stimulation. Another effect - other things being equal - would be to weaken sterling. And it would take a brave person to suggest that the British economy needs still more devaluation. Yet there is an Interpreta-

tion of events, which is less slavishly dependent on official figures and which makes much more sense. Home demand is growing at an adequate rate. The element of sluggishness is introduced hy the depressed hehaviour of continental export markets, It is reasonable to leave some room in the economy so that exports can take up some of the slack when the continental economies recover. There are already signs that Germany may be turning the corper under the influence of repeated If helated

Change between Q4 1994 and Q4 1995	Official	Alternative interpretation
Real GDP growth	1.9%	. 2.9%
Productivity growth	0.7%	2.2%
Employment growth (%)	1.2%	0.7%
Employment growth (number)	299,000	183,000
Growth in working population	116,000	· n
gives Fall in unemployment	183,000	183,000
		Source CEBR
Windows (annualised half yearly Total final		
-		
6		
G	DP	
Domestic demand		
4 1	.1	
Q4 1994 Q1 Source: CSO	Q2 1995	Q3 Q4

ment has been dropping.

The state of the economy

can he hest approached through the hehaviour of nom-

inal GDP - that is GDP before

the statisticians separate it

into volume and price changes. Measured at factor

cost - which has the effect of

removing indirect tax distor-

tions - nominal GDP has been

rising since the end of 1994 at

an annual rate of 4 per cent or

less. That is well below the 5

or 6 per cent consistent with

non-inflationary growth. But

it would be foolish to use this

It is no use just crying for

policymakers to adopt nomi-

nal GDP as a philosopher's

stone, or it will suffer the dis-

exchange rate targets have

suffered and that inflation tar-

gets will surely suffer to. The

heads of the two main non-

official forecasting institutes

now say they favour the use of

nominal measures as a guide-

line. It will only make prog-ress if they use it in detail in

their own regular analysis.

asure on its own.

interest rate reductions. There are, furthermore, plenty of straws in the wind to suggest that UK economic growth is understated by official estimates. The accompanying table is an alternative interpretation provided by the Centre for Economic and Business Research. The centre accepts the unemployment figures at face value. It takes a more pessimistic view of employment growth than the official statistics, but this is more than offset by an optimistic view of productivity growth, based on survey data and on new types of businesses or products which official statisticians - through no fault of their own - cannot

easily take into account. The net result on the cen-tre's estimates is that in the course of 1995 UK real GDP rose by nearly 3 per cent instead of the nearly 2 per cent estimated officially. The alternative presentation has the merit of stopping us from beating our breasts abont growth when unemploy-

ily of measures to be exam-ined in conjunction with each other. Others include total final expenditure, which includes imports; and there is domestic demand, which excludes both imports and Unfortunately the only esti

Nominal GDP is one of a fam-

mates for these other series are at market prices - rather than at factor cost - and the apparent growth rates they register are therefore too high But the relativities do tell us something. The two other demand measures - total final expenditure and domestic demand - have been growing at higher rates and have veered less towards deflation than GDP itself. One does oot have to be a halance of payments fetishist to suggest that the government should leave well alone and leave it to the external side to take up slack. I am sometimes told that New Labour may adopt a nom-inal GDP objective, as if that were something for which l should feel personally grate ful. The approach makes sense ouly as part of a wider frame-work of analysis which was once duhhed "monetarism without mysticism". The approach will fail if it is treated as a way for Labour to smuggle real output targets in hy the back door while not realising that the whole point is to show that real output cannot be directly controlled hy the Treasury or any other central organ.

The recent announcement by Gordon Brown, the Labour Treasury spokesman, that the Freasury would be responsible for real growth arouses suspi cions that real growth targets may indeed be the intention, Apart from anything else, the credit that money supply and Treasury is not particularly good at stimulating growth except very indirectly insofar as the Treasury is an obstacle to sectional spending lobbies. It would be sad if we had to learn all the lessons of the early 1960s all over again because of the difficulties official statisticians have in estimating productivity gains.

BOOK REVIEW · Richard Tomkins

ASHES TO ASHES: America's Hundred-Year Cigarette War, The Publica Health And The Unabashed Triumph Of Philip Morris By Richard Kluger Alfred A. Knopf, 807pp, \$35

Damned by denials after age of innocence

Perhaps the greatest tribute the author of this monumental history of the US cigarette industry is inat, at the end of its 807 pages, it is impossible to say with certainty whether or not he smokes. Such objectivity is rare oo an issue where the level of oebate tends to hover

close to the edge of hysteria. Arguably, hysteria is an appropriate reaction to what cigarette manufacturers do. In the US, smoking is the biggest single cause of premature death taking the lives of an estimated 400,000 people a year. In the wider world, cigarettes have prohably killed as man; people this century as

have fallen in all its wars. Moderate language, it could be said, is inadequate to convey the necessary sense of outrage over death on such a scale. Yet cigarettes are not the only legally manufactured products that kill. Guns have a bao record, and cars take a terrible toll, Alcohol not only kills when consumed to excess, but causes many social problems, Sugar, salt and fat claim lives. Richard Kluger asks whether cigarette manufacturers are

husinesspeople much like any others, purveying a product that turned out to be hazardous long after it had become established in society, and now sorely ahused by health fascists and moralising husyhodies: or whether they are moral lepers preying on the ignorant, the miserable, the emotionally vulnerable and the genetically susceptible.

It is a question he never quite answers. But ultimately he allows the industry to damn itself, chroulding in painstaking detail its continued denial of the causal connection between smoking and disease long after the evidence had become irrefutable.

Of course, that evidence only

Before that the cigarette companies enjoyed what now seems like an age of innocence, and the first part of the book is a rollicking tale of the rise of one of the world's most successful consumer products.

As the book's subtitle suggests. Philip Morris figures prominently in the story. The company started life as a small tobacconist in London's Bond Street founded by the eponymous Mr Morris in 1847. It opened a New York branch in 1902, hut this was bought out hy US investors in 1919. From there, the US operation hegan its climb to supremacy greatly accelerated by its transformation of Marlboro from a low volume women's

cigarette into a male lcon.

Hucksterism was rampant in the industry's early days. The hook relates how American Tohacco, the company founded hy the legendary Buck Duke, pushed its Lncky Strike brand to the number one slot in the 1920s hy claiming that an extra-secret "toasting" process - in reality, no different from the normal process - removed throat irritants from the tohacco. It then wrote to doctors asking them to try Lucky Strike and offering them five free cartons if they agreed it was the least ahrasive brand on the market. Soon after, its advertisements proclaimed: "20,679 Physicians Say Luckies Are Less Irritating . .

At first, such stories entertain as well as inform. But the book takes on a more sombre tone when it reaches 1950, the year in which parallel studies in the US and Britain found the first evidence of a link hetween smoking and lung cancer. From the start, the industry refused to acknowledge the connection. In the words of one of its allies. a Chicago surgeon, Dr Max Cutler: "Simply because one finds hullfrogs after a rain does not mean it rained hullfrogs." Soon after the pivotal point of the hook is reached in a

memorable quotation from Parker McComas, then chief exerutive of Philip Morris. Responding to the mounting health fears, he said: "If the industry leaders really believed that cigarettes cause cancer they would stop making them." It was untrue then, and it is untrue today. But it does raise a fundamental question: if the tobacco companies are not going to stop making ciga-rettes of their own accord, just

industry? At present various groups of lawyers are trying to sue the US tobacco companies out of existence, but no one has wrung a penny out of them yet. Some anti-smoking activists argue for prohibition, but it did not work for alcohol, and no government wanting A.-

what should be done about the

election would attempt it. In the final pages Kluger cannot resist shrugging off his role as historian and looking for a possible solution. With hostility against the industry mounting, he says, it is only a matter of time before a lawsuit succeeds. Instead of fighting to the bitter end, he asks, why do the companies not do themselves and society a favour hy seeking an accommodation?

Kluger suggests that Congress should give the industry hlanket exemption from all personal injury claims in return for a doubling of the tax on cigarettes and a series of measures aimed at discouraging smoking - for example, a phased reduction of tar and nicotine yields, severe restrictions on advertising, and the use of the extra tax yield to finance "quit clinics"

Probably, he says, it is too much to hope that this will ever happen. But it serves as an nnusually sane conclusion to an unusually sane hook.

Ashes to Ashes is ovailable from FT Bookshop by ringing FreeCall 0500 415 419 (UK) or

Newcastle and Sunderland scout for new players. Siemens has already signed.

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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen in encourage letters from readers around the world. Letters may be faxed to +44 171-873-5938 (please set fax to 'fine'). e.mail: letters editor@ft.com Translation may be available for letters written in the main international languages.

it is due

From Mr Mwanyengela Nguli. Sir, I was surprised by Mr Karl Ziegler's remark (Letters, May 2) that the World Bank and international Monetary Fund often waived their demands for 'political reasons' and listed Kenya as one of those countries which failed to realise such demands.

1 would refer you to the statements made by the IMF's managing director, Mr Michel Camdessus, on his recent visit to Nairobi. At a news conference, Mr Camdessus gave a glowing review of Kenya's economic reforms in the past three years and said the IMF was delighted by a government economic paper the policy framework paper released earlier this

This hardly sounds like a country which had failed to live up to its responsibilities in IMF terms. Indeed, your editorial "An Africa lesson" (May 3) pointed out that the successful privatisation of Kenya Airways had demonstrated that in an appropriate economic environment "inefficient lossmaking public corporations can be turned into successful ventures, capable of attracting foreign partners". It is surely to the credit of

the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief for Africa countries, should occasionally give credit where it is due.

Mwanyengela Ngali, high commissinner, Kenya High Commission, 45 Portland Place London WIN 4AS, UK

In the picture

From Ms Claudin Binoghi. Sir, Were tha prices high or low ("Good prices for Impressionists", May 4/5)? Next time please choose a better adjective.

Claudia Binaghi, 71 West 109th Street, Apt 5B. New York, NY 10025, US

Credit where | Limitations of US pollution goal

Sir. The article on tradeable permits of sulphur emissions in the US ("For sale: a licence to pollute", May 5) should not be allowed to disguise two central issues.

First, the US goal is surprisingly limited. When compared on a per capita basis, the US emissions were in 1993 some 15 times the Japanese emissions and some 10 times the west German and Swedish emissions. The US emissious are in fact on east European levels. Present indications are that the Polish and the Czech

he below those of the US within some five years. Second, the Swedish system

of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists. The Swedish fee means that the energy plant-owner pays a fee to the Swedish Environmental Protection Agency for every ton of nitrogen oxide emitted. Total revenues are redistributed to the plant owners based on the amount of energy produced. Thus, plants with low emissions per unit of energy produced are net receivers while those with high emissions are net payers. Nitrogen oxide emissions were reduced by 50 per cent between 1990 and 1994.

What would Shakespeare have said of the US sulphur policy: "Much ado about nothing"?

Mans Löngroth state secretary. Ministry of Environment. S-103 33 Stockholm,

Trade needs stability, not tinkering

From Mr C.M. Purvis.
Sir, Your leader "World trade at risk" (May 7) shows an unhelpful touch of paranoia about developments in world trade. I believe there is currently a higger threat to the open multilateral trading system from a rush into the amhitious new initiatives proposed in the leader - which would lead to new tensions being generated - than there is from a period of consolidation for the World Trade Organisation.

It would certainly be counter-productive to begin tinkering, less than three years sensitive issues which negotiators painstakingly worked out at the close of the Round, and on whose basis economic operators throughout the world have subsequently based their strategies and investment programmes.

leader proposes) would simply resurrect old conflicts which

after the end of the Uruguay Round, with agreements on

Trade in textiles is a case in point: liberalisation is being progressively implemented according to an agreed timetable, and the acceleration of this by the European Union on a unilateral basis (as your

had hoped had been huried once and for all by the Uruguay Round.

A period of stability and reflection may he less exciting than a rush into new initiatives; however, it is also, at this stage in the WTO's development, immeasurably safer for the world trading

C.M. Purvis. director-general. International Rayon and Synthetic Fibres Committee. Avenne E. Van Nieuwenhnyse 4 B-1160 Brussels, Belginm

Consistency key to fund management

the extent that patterns of

From Mr Stuart A Fowler. Sir. Barry Riley, in his profile in the Pension Fund Investment Survey of Gary Brinson ("US manager with halance". May 2), shows a keen ear for the sound hite, picking up Brinson's comment about being underweight in the overvalued hut outperforming US stockmarket: "being too early is indistinguishable from being wrong".

Investment managers do oot help their own cause when, as they often do, they pretend that they are strong enough to stand up to statistically unsound tests of their performance.

Absolute and relative market returns are mostly. like individual stock returns random and unpredictable. To

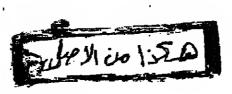
return behaviour can be identified and exploited within this context of largely efficient international markets, the ahility of an active manager to do so will only be revealed by a long series of decisions over time. An active approach that can keep the proportion of errors to 45 per cent of all decisions could be a huge winner even though the absolute number of errors is high. The pension trustee needs to judge the approach.

It is quite feasible that a fund could appoint two managers with very different approaches: one driven hy short-term price trends (overweight in the US) and one by long-term value

not the individual decision.

(underweight in the US). Provided there is enough evidence of short-term trend persistence in international market returns, the trend follower may have a good method and being overweight the US is consistent with it. If there is enough evidence of longer term mean reversion in market returns, the value investor may also have a good approach and being underweight the US is consistent with it. Consistency with a method that appears to be a right, even if not exclusively right, is the key.

Stuart A. Fowler, Dynamic Investment Solutions, 69 Doneralle Street. London SW6 6EW, UK



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FINANCIAL TIMES

Number One Southwark Bridge, Londoo SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday May 9 1996

The City sans Emu

The bond markets are convinced that European monetary union (Emu) will go ahead despite the likelihood that important countries at the core will fail to meet the Maastricht convergence criteria. They are equally convinced that Britain will not be in at the outset. That belief will have been reinforced by the reservations being expressed by the governor of the Bank of England, Mr Eddie George. The City of London will thus be obliged to conduct its own cost-benefit analysis of life on the outside. It will probably conclode, rightly, that the risks are greatly exaggerated, only to be excoriated for its complacency by the pro-European lobby.

Any analysis is dogged at the outset by the lack of UK data distinguishing between international and domestic financial business. Figures for the City's various activities are also of mixed quality. And as the recent City earch Project conducted by the London Business School has shown, there is a serious lack of data on the net revenues or value added from interbank business in foreign exchange, which matters greatly in relation to Emu.

The job numbers provide a misleading indication of what is at stake. In 1991 more than 300,000 people were employed in banking, insurance and other financial services in London. This figure rises to more than 600,000 if law, accountancy and other business services are included. Clearly the 33 per cent jobs growth over the previous decade was not all in international business. But the numbers need to be seen in con-

Trading concentration

The irrevocable fixing of exchange rates, followed by the introduction of the Euro, will ultimately lead to a concentration in the pattern of trading within European markets, while making many instruments and markets obsolete. The question is what share of the subsequent dealings in business denominated in curos London would retain. The French and Germans might well wish, in establishing the infrastructure for a single monetary policy, to exclude outsiders from participation in euro-related

marksts wherever possible. Yet the open market operations of the European central bank are unlikely to be particularly signifiment system, on the other hand, would make it more costly for banks to operate out of London. It is impossible to tell, at this early stage, how far London would be able to muscle in on the new sinmoney market in euros and the related derivatives trade.

Offshore incentive

That said, any move to impose reserve requirements or other restrictions on participants in the core would act as a tax on banks, which would then have an incentive to go offshore to London. Nor should it be forgotten that any protectionist move to bolster Paris or Frankfurt would penalise those continental banks which have just laid out huge sums in acquiring British merchant banks in Lon-

Yet in all this, it is important to recognise that the contribution of foreign exchange dealing, in terms of jobs and value added, is unlikely to very large in relation to the overall picture. Foreign exchange is a great British growth industry, but a cottage industry for all that. As for the European government bond market, this is hardly exciting business when every country is seeking to reduce budget deficits and related borrowings. The City's real international strength has anyway been in unofficial markets. Most of its fastest growing businesses such as cross-border corporate finance. international fund management and derivatives trading will be untouched by Emu.

The areas under threat from Emu are fsw and unimportant, especially when seen in the con-text of the wider economy. More likely threats to City jobs might come from increased global competition, hostile fiscal or regulatory change, or an erosion of the City's skills base. There is anyway a tendency in this debate to forget that in a flexible market economy resources can be redeployed to good effect in other sectors. There are good and bad arguments for participation in Emu. Invoking the supposed vulnerability of the City is one of the worst.

Two cheers for South Africa

Sonth Africa has cause to celebrate. Yesterday's agreement on the new constitution, embody-ing the democratic principles which the country's main parties endorsed two-and-a-half years ago, is a remarkable achievement. A society which for 350 years was based on racial discrimination and white minority rule has painstakingly negotiated a document which attempts to strike a balance between majority rule and minority and individual rights.

Sceptics may say that this has been tried before in Africa and failed. But never in the continent's post-independence history has a constitution been so carefully crafted, and so assiduously protected by a series of checks and balances, which range from efforts to decentralise government to curbs on the power of the state through an entrenched justiciable bill of rights.

Yet in some respects it is dangerously overambitious. Few constitutions go so far in their attempts to secure citizens' rights, such as the right to a job, to food, to shelter, to healthcare and social services. Since such substantive rights cannot be guaranteed, the constitution as a whole may fall

into disrepute. The constitutional oegotiations also fudged the three issues which had held up agreement property rights, single-language schooling, and the right of employers to lock out strikers. All three leave big problems unresolved.

Still unhappy

The National party has succeeded in ensuring that there can be schools in which Afrikaans will be the main medium of instruction. In return, it has grudgingly accepted that property rights are adequately protected in the bill of rights, which guarantees owners against expropriation without compensation. Mr F.W. de Klerk, the NP leader and deputy president, is obviously still unhappy. He hinted that his party may withdraw from the government of national unity. That has under-standably unsettled the markets.

Celebrations should be muted for another reason. Local government elections have had to be postponed in the province of

Kwazuhi-Natal because of violence between President Nelson Mandela's African National Congress and Chief Mangosuthn Buthelezi's Inkatha Freedom party. The IFP has stayed aloof, boycotting the constitutional debata. It still has ths capacity to destabilise a large part of the country.

Another worry is the strained

relationship between the ANC and the trade unions, its main partners in the coalition that won the 1994 elections. The unions called a one-day strike over legislation giving employers the right to lock out strikers. The final version of the constitution accepts that any change to the legislation must b with the support of the business community. Judging by the unions' critical response yester-dsy, the battle is far from over.

Rising crime

The list of problems besetting the ANC does not end here. Rising crime and slow employment growth, failure to deliver on promises to cut the country's buge housing backlog and illegal immigration from impoverished neighbours have all contributed to declining business confidence.

Altogether it is a formidable list

of problems for an administration thet took office two years ago as a government of national unity, but which is no longer unified. Inkatha has distanced itself from government, although Chief Buthelezi retains his cabinet place. The once all-powerful National party is increasingly alienated, unable to attract new blood, or to extend its electoral base much beyond its traditional white support. The result is that the country lacks an effective national opposition, as important an ingredient of democracy as the constitution itself.

The markets have already given their verdict on this unsatisfactory state of affairs. The rand has phymmeted from 3.65 to the dollar in February this year to a low of 4.45, and it slid again yesterday. While South Africa can pride itself on what it has achieved, the hardest part is yet to come: implementing the constitution, respect ing its principles, and ensuring sustained economic growth with equity for all the population.

Drugs giant on the sidelines

Much of the pharmaceuticals industry is restructuring, but Roche is playing down talk of acquisitions, its top executives tell Daniel Green

t is party time at Roche, the Swiss drugs company. Roche executives have devoted this year to celebrating its centenary, complete with commemorative books, concerts and

The festive mood, however, is not reflected in the stock markets, with the company'a share price underperforming the pharmaceuticals sector since the middle of last year. The profitability of Roche, Europe's third largest company by market capitalisation, remains the envy of rivals. But investors fear that it may be starting to lose its pre-eminent position as competitors merge and as its rate of profit

special dividends for shareholders.

When Mr Fritz Gerber, chairman since 1978, addresses shareholders at next month's annual meeting, the company will almost have fallen out the top ten in the global pharmaceuticals league table by sales. It was number five in 1993.

It is also about to lose its position as Switzerland'a biggest drugs producer for the first time in living memory - to Novartis, the merged company to be formed by Ciba and Sandoz, its Basle rivals.

The company achieved its market capitalisation through extraordinary growth in earnings per share, which averaged 26 per cent a year over the last five years. But much of the growth has been attributable to cost-cutting rather than sales growth which has been 22 per cent in total between 1991 and 1995.

Analysts forecast that growth in earnings per share will fall to 14-16 per cent for 1996 to 1998 - still high for the sector but no longer exceptional. In anticipation of this slowdown, a decade of extraordinary share price growth has come to an end. Between 1986 and mid-1995 the value of Roche non-voting shares the most widely held - increased nine-fold, more than twice as much as the world pharmaceuticals sector as a whole. Since then, the shares have stagnated - underperforming the rest of the drugs sector by 10 per cent in the last nine months. Roche has a history of growth by

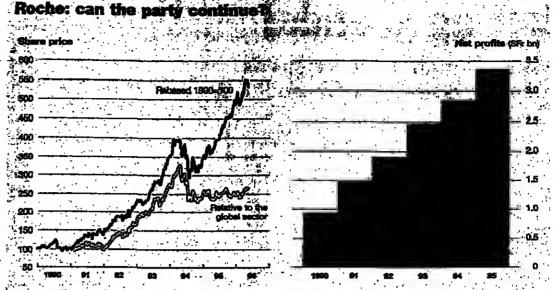
acquisition - it has spent SFR15bn in the past seven years including \$5.6bn on Syntex, a Californian drug company in late 1994. Since the share price began to underperform, there has been a series of rumours that it was about to bid for a mid-sized company in its sector. Such a deal would allow Roche's management to boost earnings growth by cutting overlapping parts of the businesses and adding the acquired company's products to those sold by its own salesforces.

Top of the speculators' list of likely targets are Zeneca of the UK, ies Schering-Pious and Warner-Lambert. The first two especially would bring fast-growing

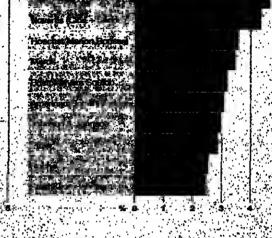
new drugs to Roche's portfolio.
"Mid-sized" is a relative term in
the drugs sector: buying any of these companies would break takeover records. Zeneca's market value is \$20bn, Schering-Plough's \$21bn and Warner-Lambert's \$15bn. The last few takeover deals in the sector suggest that a premium of 30 per cent to 50 per cent is needed to make a takeover attempt work.

There is no doubt Roche could afford such sums. Its market canitalisation is more than \$75bn, putting it among the top three global

But Mr Gerber believes the world's markets are wrong to believe that Roche must buy something big. "It'a no secret that we follow the market [in drug companies] to see who might be the best fit with us, but we do not have a fetish for market share," he says.









"The size of a pharmaceuticals company matters only as far as control-ling the cost base. Ws don't need to be in the top five or 10 to be effec-

Such sentiments run contrary to the mood of much of the industry. Other chief executives, notably Sir Richard Sykes at the UK's Glaxo Wellcome, have made no secret of their willingness to make further acquisitions if they see their rivals

buying market share. But Mr Franz Humer, the cigarchomping head of the pharmaceuticals division for almost 18 months, is even more defensive than Mr Gerber. He says there is no reason for Roche to make an acquisition.

Earnings growth will pick up again thanks to new drugs such as Cellcept, which helps to prevent transplanted organs from being rejected by the body, and Invirase, tion of the Aids virus. Analysts at London stockbroker James Capel forecast these two drugs will contribute SFr1bn a year to Roche's. annual revenues of SFr14.7bn. Roche's leadership is careful not

to rule out acquisitions altogether. Under Mr Henri Meier, chief financial officer since 1985, the company has amassed cash and investments of about SFr15bn (£8bn) - SFr5.6bn net of borrowings.
But Mr Meier says: "Hostile bids are not our style. We don't like the

fight." Nor is Roche interested in diversifying into drug distribution, a route taken by some rivals, such as Merck and Eli Lilly of the US and SmithKline Beecham of the UK. Mr Gerber says that the drugs

manufacturing business is already diversified enough to spread risk; antibiotics, for example, are a different business from heart drugs. Both acquisitions would probably not be in areas where the company is already very strong, principally medicines used in hospitals. Potential takeover targets are

subject to a screening process to limit the risk of a deal. For example, fear of litigation has turned Roche away from female health areas, such as breast implants and oral contraceptives.

And companies with portfolios of old drugs are less attractive because of the risk of beavy competition when patents expire. Roche bought Syntex for its drugs in research, not for Naproxen, the arthritis tablet that made Syntex's fortune in the 1980s, says Mr Meier.

Mr Meier also regards bigger deals as bigger risks. Spending \$20bn-\$30bn - the kind of money needed to buy a Zeneca or Schering-Plough - would be very risky. "I have never done an acquisition

that, if it failed, would jeopardise the existence of the company," adds Mr Gerber.

Furthermore, there is nothing wrong with accumulating cash, says Mr Meier. "Our aim is to have a cost of financing of less than 2 per cent, and we've never been able to spend as much as we could borrow

Mr Meier likes to be a fund manager. A former Handelsbank executive board member and author of a book on Swiss capital markets, he cannot conceal his pride in the per-formance of the fund he manages. 'We've beaten every index we can find," he says, adding that any acquisition would have to meet the same investment criteria he applies to the cash.

London-based analysts at Lehman Brothers, the stockbroker, calculate that has earned a better return for Roche in managing this capital drugs, vitamins and fine chemicals.

Syntex has not yst brought the return it would have earned if the money had been left in his hands to invest elsewhere. Indeed, with the benefit of hindsight, Roche's last few acquisitions stand out for their boldness in commercial terms rather than for the quality of their financial returns.

The Syntex deal was the first in a series of mergers and acquisitions in the industry. Roche was also the first pharmaceutical group to take a multibillion dollar stake in a bio technology company when it paid \$2.1bn for 60 per cent of Genentech in 1990. Today Genentech barely makes a profit.

And in 1991 Roche led the field by that amplifies very small samples of genetic material and is used for diagnosing disease. Since such acquisitions bolster the group's research and development rather than lead directly to products, the return on the investment is hard to

Mr Gerber remains enthusiastic about the possibility of adventurous deals. He says that rather than launching a bld, Roche could consider large-scale asset swaps with not attempted in the restructuring of the world pharmaceutical industry in recent years. He does not elaborate, but Roche has business in vitamins and specialist chemicals that could rationally be separated from the bigger prescription medicines operation

Mr Gerber all but rules out mere ers such as that at Sandoz and Ciba. for them to get rid of non-core busi nesses. Roche did that years ago," says one senior Roche executive.

Roche executives like to give the impression that their future is in their hands. Their strategy, they say, is unaffected either by the ferocious restructuring elsewhere or by short-term underperformance in their shares. As Mr Humer puts it: "We like to set the benchmarks." They have one great advantage

over their counterparts at rival companies. A majority of voting shares in Roche is held by the descendants of Fritz Hoffman, who founded the business in 1896.

We make every effort not to disappoint the analysts," says Mr Ger-ber. "But that's their world, not ours. We have the luxury of family Whatever Roche does next, it will

probably not have been determined by equity analysts or worried inves-

OBSERVER

Laugh? We nearly did

Hans Tietmeyer, the formidable president of the Bundesbank, was in jocular mood the other night; perhaps feeling the need to counterbalance a dry-as-dust speech by Alan Greenspan, head of the US Federal Reserve.

The occasion was Tuesday's annual banking dinner in Frankfirt. Tietmeyer waded in with an apocryphal story about a computer which the European Monetary Institute - forerunner of the planned European central bank. - had been forced to take out of

When asked which central banker should be president of the ECB, the computer answered: 'Alan Greenspan'. The computer argued that Greenspan had' experience of a large and extended currency area, and first-hand knowledge of conducting monetary policy in many different states.

But it was the third reason which tipped the scales against the computer. It said that Greenspan was further qualified because monetary union was intended to foster political tmion in Europe. A central banker from the US, whose states have been long united: would best symbolise this

That, said Tiermeyer, was why Britain had requested that the computer be removed. Ho ho ho:

Tietmeyer raised another chuckle from the assembled German and foreign bankers with a tongue in cheek elaboration of why the ECB needed the monetary instruments so favoured by the Bundesbank monetary targeting had worked well in Switzerland, minimum reserve requirements were doing fine in Italy and the fits of discount credit could be studied in Austria. "The European central bank does not have to be priented to Germany; one can find positive results all over Europe." stimulates the production of jokes.

Slim pickings Many would love to see Sir

James Goldsmith lose his one and only parliamentary power base his anti-federalist group in the European parliament. But recent press suggestions that the Europe of Nations Group is about to disintegrate may be premature. The group lost one of its

members - French MEP Philippe Martin - two months ago, reducing its numbers to 18, the minimum required to qualify as a group in the European parliament if the members come from three member states. MEPs from Denmark, the Netherlands and France belong to the ENG. Despite this narrow margin, ENG members are showing no signs of panic, they wouldn't see loss of group status as a devastating blow.

But a trow of stris, nonetheless.
Lone MEPs operate almost as
outless in the parliament since,
group status brings with it a risk of
privileges. Without the KNG, Sir
James, and the other 17, would not
be able to introduce resolutions for emergency debate, call for voll-call votes, put argent questions to the Commission and the Council or wrap up debates. So how far might his enemies go to ensure Sir. James's numbers drop below the obligatory 18?

Watt's up in India? If India's protracted election was not enough to tire New Definites of politicians, the Indian Express newspaper has found another good reason, as temperatures creep

above 40 degrees and Delhi's annual power cut season begins. Just days after Delai's electricity authorities began two hour power cuts everywhere in Delhi — except the splendid Lutyens bongalowed VIP belt, where most MPs five comes news that several members of the outgoing partiament have failed to pay their electricity bills. The total constanding debt is

equivalent to \$882,352, with top defaulter being Ram Vilas Paswan a Janata Dal MP from Biliar, who owes a cool \$27,352. The Express reports the New Delhi Municipal Corporation being in despair having offered MPs any number of sticks and carrots to persuade them to pay their hoge bills.

All to no avail. Their excuse? Well, it's their servants' fault of course. Paswan has 13 of them living at his residence, other MPs have more. And they do insist on leaving the lights on.

Slack timetable

Hugh Arbuthmott, Britain's ambassader in Copenhagen, was talled on to exercise diplomacy in the cause of Anglo-Danish trade this week. He'd assembled the cream of Danish business to a dinner to meet Anthony Nelson, the UK trade minister. Unfortunately, the vagaries of British politics called for the minister's presence in London, to keep the government from defeat in the House of Commons.

"It's a case of Hamlet without the prince," the ambassador put it spologetically. The Danes took it well; only one wondered aloud about the British system of government, which prevents ministers from doing their job. "What a way to run a railway."

Squeaking

It seems there's a move to start using management consultants instead of rats in laboratory experiments. Lab technicians prefer the consultants to rate because there's no danger that they will form a close relationship

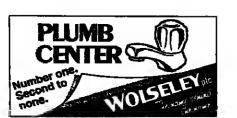
Financial Times

100 years ago Another type company

Another tyre company issues its prospectos to day, with which Mr. Hiram S. Maxim is closely associated as Director and technical adviser. The prospectus states that the tyre is: In no way an intringement of the Dunlop patent. Mr Maxim states in the prospectus that he considers the brion the most suitable tyre for horseless carriages, a branch of industry in which he is specially interested, and the company has sconiced three of his own patents (US-born Maxim was an inventor who in the 1880s tleseloped the first fully outomatic machine guri. He took British citizenship in 1901] 50 years ago

Canadian Pacific Ruilway Given the urgent need for

aximum commercial activity, Mr. D.C. Coleman, the chairman, does not expect that the decline in traffic experienced so far this year by the Canadian Pacific Railway will be carried to any drastic lengths in the immediate future. He is very concerned, on the other hand, at the tendency for operating costs to overhand gross receipts. Last year, only 11 cents out of every dollar was left after meeting working expenses against 22 cents after 1918, while the upward pressure on both wages and raw materials



FINANCIAL TIMES

Thursday May 9 1996



English soccer organisers Arch hit by ticketing scandal

The Football Association, which runs English soccer, bas been rocked by a ticket scandal just weeks before launching the Euro-pean championships – the big-gest sporting event in the UK for

Mr Trevor Phillips, the FA's commercial director, has ting ticket sales for Euro 96. Mr Phillips oversaw the FA's

organisation of tha championships, but officials insisted last night that his unexpected depar-ture would not affect the tourna-

Mr Glen Kirton, the FA's director of Euro 96, said that the FA was now ecting with tha police. "Jointly, and with the belp of the official Euro 96 ticket distributors, we are looking into any abuses and taking appropriate action in the interests of security," he also said

The FA said a covert operation similar to the one that it mounts at FA Cup finals had been planned in connection with Euro 96 tickets. "Following discussions with the police, we're now acting with them," Mr Kirton said. The ing on corporate hospitality tickets, not tickets sold to the public.

Association director resigns as police probe sales for Euro 96

the FA for four years, is believed the tickets through Mr Phillips. to be overseas and was not availeble for comment.

His departure from the FA follows police raids in London on April 30, including the offices of a company in which former England cricket captain Bob Willis is involved.

Scotland Yard'a football intelligence unit raided the premises of National Sporting Club, a hospitality and social events company. near Piccadilly, and arrested a woman. Mr Willis is a non-executive chairman and his brother David is e director of the company, which has no connection with a similarly named casino.

12 other premises, mainly ticket outlets in London, with a further The raids uncovered informa-

Raids were also carried out on

tion regarding the allocation of Euro 96 tickets which the police believe to be in breach of the FA's rules. The police have also been told that Mr Phillips authorised the allocation of corporate hospitality tickets to several com-

"If it is made known to you by one of the senior directors at the FA that a very small number of selected organisations may be able to access authorised tickets directly, then naturally that is the most sensible route to go," he

Mr Willis said that be thought he had been dealing "with the absolute pukka authorities".

The National Sporting Club is waiting to hear whether it will be eranted the tickets it obtained. We do know that there are a number of companies - probably 20 to 30 - in the same boat as us," Mr Willis said.

Two other ticket companies, Sportsworld and Keith Prowse, said yesterday that they thought they had bought the exclusive hospitality rights to Euro 96 from the FA. Mr Willis said that Keith Prowse "might reasonably ask the FA for soma explanation" as to why tickets had been sold to other bospitality companies.

Separately, the FA announced yesterday that ticket sales for Euro 96 had reached almost 1.2m representing 85 per cent of the

Mr David Willis claimed last night that the company had got Chirac to reassure Kohl over planned French weapons cuts

By Michael Lindemann in Bonn and David Buchan in Paris

Mr Jacques Chirac, the French president, will tomorrow reassure Mr Helmut Kohl, the German chancellor, that planned cuts in weapons procurement will not endanger military co-operation.

The two leaders will meet in Bonn at a working dinner in an attempt to ease strains over tha impact of French defence

Next Monday the French cabinet is to due to endorse a five year military procurement programme for 1997-2002, amid fears that cuts will bear heavily on joint projects, particularly in belicopters, with Germany.

Paris has been reassuring Bonn in the wake of complaints from Mr Volker Rühe, Germany's defence minister, that he was not adequately consulted before Mr Chirac announced in February he would phase out French conscrip-

aircraft manufacturers to nomi-

nate one engine maker for each

"Working together, Pratt &

Continued from Page 1

new aircraft

tion, among other defence cuts. At the time, Mr Chirac promised that his reforms would not damage France's co-operation with Germany in their joint Eurocorps, nor its involvement in the Tiger and NH-90 belicopter programmes with Bonn.

But there has been growing speculation in Paris that France will reduce its orders for Tigers and NH-90s in its 1997-2002 programme. This has led to German demands for the programmes to be "rebalanced" in Germany's

favour.

Mr Jean-Francois Bigay, president of Eurocopter, which is 70 per cent owned by Aérospatiale and 30 per cent by Daimler-Benz Aerospace (Dasa), confirmed last week that the German authoritles bad requested a recalculation of workshares on

According to German press reports, Germany will take 212 Tigers while France, which had

customers the best possible value," Mr Karl Krapek, presi-

dent of Pratt & Whitney, said. Airbus Industrie, the European

manufacturing consortium, has

already nominated GE as the

US groups team up for 'super-jumbo'

engine

planned to buy 215, will now purchase less than 100. The Tiger is a purely Franco-German project, while the NH-90 programme involves other Nato allies.

The Germans are also concerned that France has said it does not have enough money to go ahead with the Future Large Aircraft, a new generation of milltary transport aeroplane which tha two allies had been planning to develop and a project they are also hoping to persuade Britain

French officials say that while France's new professional army will be nearly 40 per cent smaller than the current force, it should have almost as much firepower as the present force. But the new 1997-2002 military programma places a tighter overall cap on uipment spending

Mr Chirac saw the Tiger and NH-90 in action last Friday when he attended French army manoeuvres in southern France.

Airbus has also said it wants to

begin work by the end of next

year on the A3XX, a new 550-seat

aircraft to compete with the Boe

ing 747-600.

FT WEATHER GUIDE

ald's and Burger King had prevously been fighting the burger war by competing on price.

move. "Clearly, the competition is reacting to our success," it

Deluxe joins Big Mac in US burger war

the clownish figure of Ronald McDonald to draw youthful customers to its restaurants. Now, Ronald is growing up: he aiming for the adult market.

In what seems likely to be the company's biggest fanfare since the launch of the Big Mac in 1967, McDonald's is today taking over New York's Radio City Music Hall to unveil its latest weapon in the US burger wars -

On the face of it, the new burger, named after the McDonald's golden arches motif, seems much

like any other. But McDonald's researchers at the company's Hamburger University in Oak Brook, Illinois. have been working for months to come up with a burger formula that will tempt adults away from the rival Burger King and Wen-

Wall Street analysts say that although McDonald's dominates the US burger market by virtue of its sbeer size, consum or its speer size, consumer surveys consistently show that adults rank the rival Burger King and Wendy's chains higher in terms of food quality.

Burger King, a subsidiary of Britain's Grand Metropolitan,

has been doing particularly well with its Whopper, a burger that is grilled instead of fried.

Now, McDonald's is fighting

To give the burger a bomemade appearance, leaf lettuce will be used instead of shreided lettuce, which looks processed. A cocktail of other toppings will include Dijon and stone-ground mustards and mayonnaise - as if the refrigerator had just been raided - and the whole will be enclosed in a new kind of potato

flour bun. At first, the burger will only be available in North America. Prices will vary between geographical markets, but it is expected to sell at \$3.19 in New York. Without the optional bacon, it will sell at \$2.99.

Ms Stacy Jamar, an analyst at Oppenheimer & Co, said McDon-

"Now they are pushing it to a 'my burger tastes better than your burger kind of thing," sbe

taste," it sald. "We are not overly concerned."

For years, McDonald's has used

Arch Deluxe.

back by going up-market with its Arch Deluxe. Tha burger aims to tap the US appetite for the "blt" formula by topping the burger with peppered bacon, lettuce and

sama price as a Big Mac.

Burger King brushed off the

Wendy's was equally dismissive. "The end result is down to

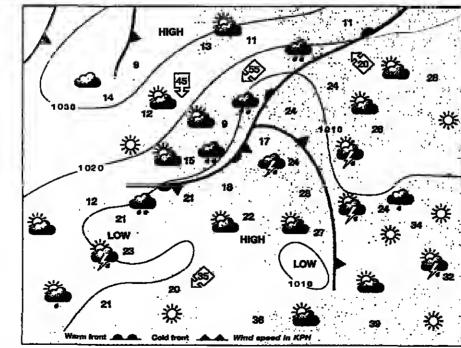
maker for its own, Whitney and GE can bring the Airbus has said it expects the talents of both companies to this extended A340. The stretched A340 will carry joint venture to give our airline

Europe today

High pressure will bring settled conditions with widespread sunshine over most of north-western Europe. Southern France will be cool with a fresh northerly wind. An area of low pressure will cause heavy cloud and rain over a wide area, from the Pyrenees through to the western Alps. across northern Germany and into southern Scandinavia. Thundery show will develop along the eastern edge of the rain band. The Iberian peninsula will be unsettled, with cloud and rain on the north coast. Eastern and south-eastern Europe will be warm and summery with some thundery showers, especially over the

Five-day forecast

The east and south-east will remain warm with thundery showers. Some of the warm air will be drawn towards the north-west as low pressure moves from the Alps towards the Balkans, and thundery showers and sunny spells will occur near the low pressure area. Strong easterly winds will develop over southern





THE LEX COLUMN Time out

Rumours that the US Federal Trade Commission is minded to block Time Warner's \$7.5bn takeover of Turner Broadcasting System are hardly surprising. A simple combination of Time Warner and Turner might just pass muster. The snag is that Tele-Communications Inc (TCI), the largest US cable operator, will end up with a 9 per cent stake in the enlarged Time Warner in exchange for its Turner shares. If Time Warner and TCI then operated as a single bloc, their joint dominance of both cable channels and networks would allow them to dictate terms in US pay-television. Rival channeis and networks could get raw deals TCT's pledge to place its shares in a trust, controlled by Mr Gerald Levin, 1989 90 91 92 93

Time Warner's boss, is fooling nobody Though TCI would not have votes, its economic interests and Time Warner's would atill be aligned. Nor is there any love lost between Washington and Mr John Malone, TCI's chief executive who was once likened by Vice Presi-dent Al Gore to Darth Vader, the evil Star Wars genius.

That said, it should be possible to alter the deal to meet Washington's concerns. The best option would be to give Mr Malone cable channels for his Turner shares; TCI and Time Warner would then have no economic interests in common. An alternative would be for Time Warner to sell its cable networks; US West, the telecoms group which already has a minority stake, is clamouring to buy them. Whether Mr Levin, who has staked his credibility on the logic of combining programming and distribution, could stomach the consequent loss of face is another matter.

Ecco/Adia

The merger of Ecco of France and Adia of Switzerland looks like a good match for the personnel services companies. Both have international reach, but their relative strengths are different. The deal will put the merged entity on a par with world market leader Manpower, giving it extra clout in the expanding global market for personnel services, worth around \$80bn last year.

This is the real rationale for the deal, rather than the relatively paltry cost savings, estimated at SFr20m annually and a one-off tax break. Large multi-national companies can outsource their personnel departments to such service providers, which offer not only temporary and permanent placements but also training, evalua-tion and even payroll processing. The new company's ability to attract such business will certainly be enhanced by



its broader geographic presence. And given the trend towards flexible work-ing, it appears the right time to edd

some extra muscle. But while the strategy looks sound, there is room for doubt about the execntion. The chairmen of Ecco and Adia will take it in turns to head up the new company. Mr Philippe Foriel-Destezet of Ecco will do the job for a year before handing over to Mr Klaus Jacobs of Adia. This solution looks highly unsatisfactory. There ara important strategic decisions to be mada, such as how to deal with branding, particularly in markets where both brands are strong. Even if the arrangement remains amicable, it is hardly likely to forge a common vision for the new company. And as with all relay races, the danger is that some-one might drop the baton.

US/UK power

The US power companies' international buying spree – notably in Britain – is great news for sharehold-ers in the targets. The buyers' share-bolders, by contrast, should be asking some tough questions. Bids are fun for utilities' managements and they are also in fashion - both are good grounds for doubting wbether they make sense. Shareholders should start by dismissing airy talk of globalisation; in an industry whose product is consumed locally, this is waffle. Nor is there much in the proposition that US utilitles, facing deregulation, need experience of markets which have already been opened to competition. Buying in this sort of expertise may be a good idea but there is no need to buy

entire companies.

A more hard-nosed argument is that
US utilities can borrow cheaply; the
proceeds can then be used to generate

higher returns abroad than utilitie can earn under a highly restrictive regulatory straitjacket at bome. At first sight this notion sounds seduc-tive - it may, for instance, be an easy way to enhance earnings - but it is flawed. For one thing, non-US regula-tory systems may allow returns that beat the cost of capital for a time, but they will not do so for ever. For another, even if cash invested abroad can deliver impressive returns, it is still more efficient to hand the cash back to shareholders and let them do the investing. Using it to buy an entire company only makes sense if the buyer can credibly squeeze enough additional value from the business to offset the need to pay a premium for control. There has been precious little evidence of that in practice.

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J. Sainsbury

Sainsbury'a decision to introduce customer loyalty cards may appear to have been made in a rather "oh, all' right then" spirit. But the management's willingness to admit to a changa of heart at least counters impressions of complacency. Still, the fact remains that the group has been slow to react to innovations by rivals - Tesco and Safeway already operate card schemes. There is also a worry that the loyalty card will add to Sainsbury's cost base and spark greater price competitioo, ultimately leading to a further margin erosion.

There are some bright spots. Home base has shown an impressive ability to buck the dire do-it-yourself market, in the light of which the decision to bring forward the conversion of Texas stores to its Homebase format looks sensible, despite the extra cost. The group's growth prospects in the US are another comfort. Shaw's is firing on all cylinders, and this may encourage management to press ahead with a buy-out of the majority of Giant Food or explore other acquisitions.

But there is no hiding the fact that the wheels on Sainsbury's supermar-ket trolley are still looking wobbly. Like-for-like sales growth lagged at a paltry 2.6 per cent last year, and aggressive offers since the financial year-end have only edged that up to 3 per cent. Sainsbury could well be on the brink of a turnaround, but it still bas everything to prove. And even after its dire market performance last year, its shares are still on a premium to the sector. Better margins may not be enough to justify this, given its

> Additional Lex comment on Whitbread, Page 23

air europe

MARKET CAPITAL

wishes to congratulate Air Europe S.p.A., Italy on the successful investment of

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(Societa Partecipazioni Finanziarie S.p.A.)

Market Capital Corporation arranged the transaction and acted as financial advisors

Market Capital Corporation has also invested in Air Europe's equity



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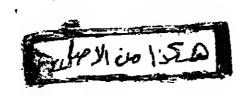
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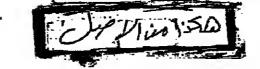
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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE PINANCIAL TIMES LIMITED 1996

Thursday May 9 1996

LEGAL DEFINITIONS

advocacy n. 1 sickness caused by excessive consumption of Dutch eggyolk liquent 2 skill of pleading a case orally in court 3 support for a cause, see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

Buoyant

IN BRIEF

Scania falls 21% despite sales rise

Scania, the Swedish truckmaker floated in New York and Stockholm last month, blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits. Pre-tax profits slid to SKr1.1bn (\$161m) despite increased vehicle sales. barely matching market expectations. Page 18

Hochtlef up at DM137m for year

Hochtief, the leading German construction group, reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year. Page 19

Schering sees 'double-digit' growth Schering, the Berlin-based pharmaceuticals company, revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m (\$86.1m). Page 19

SA banks warn despite progress First National Bank and Nedcor, the South African banking and financial services groups, reported solid growth for the six months ended March 31. However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates in the wake of the recent sharp falls in the

Westpac divests Victoria operations The shake-out in Australia's banking sector took a fresh twist when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently acquired Challenge Bank subsidiary to Bank of Melbourne. Page 20

Berkshire lifts size of offer

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Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B-share offer for the third time, in an attempt to meet all demand for the shares. The issue, which was due to be priced after the New York market closed last night, was put up from 350,000 to 450,000 shares. Page 21

Sony charts course for success Sony, the consumer electronics group which celebrated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment. Page 22

Seinebury's 22-year run ends J. Sainsbury announced its first fall in underlying

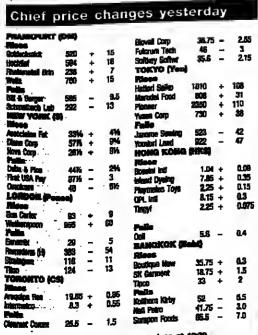
profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card. Page 28

Whitbroad plans further spending Whitbread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this ment to bein it special profits accept a which is among the best in its sector. Page 23

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Ericsson rise dismisses mobile fears

By Hugh Carnegy in Stockholm

Ericsson, the Swedish telecommunications group, shrugged off worries about prospects for the world'e mobile telephone industry by reporting a 28 per cent rise in profits in the first three months and its 18th consec-ntive quarterly increase in

The world's biggest supplier of mobile telephony equipment said pre-tax profits rose from SKrl.2bn at the same stage last year to SKr1.55bn (\$227m), mostly because of a 36 per cent jump in turnover by its mobile products

results for seven years and make

profits forecasts for this fiscal

Cherry blossoms clung to the

branches for longer than usual this year - and the earnings sea-

son too is expected to show stay-

ing power, proof that a cyclical

recovery is well under way. But

there could also be disagreeable

surprises, as companies make use

of the upturn to pay off hitherto

The top 400 companies will

report an average 15.9 per cent

increase in non-consolidated recurring profits, before tax and

extraordinary items - excluding financial companies - up from an

8.7 per cent rise in the previous

year, estimates Nomura Research Institute. Yamaichi Research

Institute is forecasting a 17.4 per

companies quoted on the main

Add corporate Japan's fast-ex-

panding overseas subsidiaries, built up to escape their hard cur-

rency and take advantage of

emerging east Asian markets, and the top 400 companies' con-

solidated profits are forecast by

NRI to rise 25 per cent.
That excludes banks, which

will report record losses this year

because of their decision to take

heavy write-offs of uncollectable debts. With banks included the

overall non-consolidated profits

increase comes out at a modest

3.5 per cent.

vear to next March.

hidden liabilities.

division, the largest in the group. Earnings per share rose from SKr0.92 to SKr1.09.

The company warned that the spectacular rates of growth in global mobile telephony - there was a 60 per cent expansion last year - had levelled off slightly, reflecting slower growth especially in the US, the biggest single market

Ericsson adjusted upwards only marginally its forecast for the number of global mobile tele-phone subscribers by the end of the year 2000 to 360m compared with the 350m it foresaw a year ago. There were 86m worldwide

The results indicated that Ericsson, which claims 40 per cent of the world's mobile subscribers are connected to its systems, has not been as hard hit by recent trends as some inves-tors have leared. Ericason's mosttraded B share rose SKr1.50 yesterday to close at SKr144, despite

a 0.5 per cent general fall on the Stockholm bourse. The slower growth path, increasing competition and tum-bling prices for mobile handsets had undermined investor confidence in Ericsson and its rivals

Nokia in recent months. Nokia reports its first-quarter results today, having already warned of a weaker first half performance. Rricsson group sales rose 14 per cent to SEr22.500, driven by

a surge in mobile division turnover from SKr10.2bn to SKr13.9bn. Order bookings rose 11 per cent to SKr28.7bn. The company does not report divi-sional profit figures. Ericsson said the sales figures

suffered from the higher value of the Swedish krona against the same period last year. It said mobile division sales rose by 50

Mr Lars Ramqvist, chief executive, said the year had got off to a good start but added: "We are prepared for sharply increased competition." He said the company was stepping up its effi-ciency drive, which has centred on its fixed telephony division.

Fixed telephony sales dipped from SKr5.8bn to SKr4.4bn in the period and Mr Ramqvist said orders were also down, reflecting reverses in China and price pressures throughout the industry The division has shed 3,000 workers over the past year, while the mobile division has expanded

America Online signs Japanese venture

By Louise Kehoe

America Online, the consumer online information services com pany, reported a surge in thirdquarter revenues and earnings and announced a joint venture in

The largest and fastest grow ing online service, AOL added more than 905,000 subscribers in the first three months of this year, bringing its total number of US members to 5.5m.

Third-quarter revenues rose 185 per cent to \$312.3m. Net income rose to \$15.1m, or 14 cents a share, after special charges equivalent to about 1 cent a share related to an acquisition. A year earlier, the com-

pany reported a net loss of \$3.3m, or 5 cents a share, after a \$7.6m acquisition charge. Service revenues tripled in the quarter to \$285.5m. Revenues from advertising, network access fees and other sources doubled to nearly \$26.9m.

AOL plans to launch a consumer online service in Japan by the end of the year with Mitsul, the Japanese trading company, and Nihon Keizai Shimbun (Nikkei), the publisher of the leading Japanese business newspaper. It already has a European joint venture with Bertelsmann, the German publishing and enter-

tainments group.

The service will feature a broad range of Japanese language material. Mitsul and Niksei will together contribute more than \$56m to the launch. Mitsui will hold a 40 per cent stake in the venture, Nikkei 10 per cent and AOL 50 per cent. Mitsul has also purchased about \$28m of convertible preferred shares in

AOL's expansion reflects broad interest in online services, spurred by the Internet. Although analysis had feared that the Internet would draw personal computer users away from proprietary online service the opposite now appears to be true. PC users are increasingly using AOL and rival services such as CompuServe, as a gateway to the Internet.

 Prodigy, the third-largest consumer online information service, appears to be on the brink of a management buy-out. International Business Machines and Sears Roebuck, its parent companies, have been in talks about the service's future since Sears announced its intention to sell

Exceptional charges could offset companies' best annual results for seven years Secrets that could Another bite at the cherry wither Tokyo's corporate display The big question in the Tokyo capital markets is whether the from 15 per cent at NRI to 30 per cent by Dai-Ichi Life. Those forecasts will in part be Nikkei's rise last month to a fouryear high - from which it has fallen elightly - will prove as based on the factors, revealed ephemeral as cherry blossom or and hidden, behind last year's as well rooted as a tree. performance. All companies will The answer will become clearer have benefited from the strengthening of Japan's economic recov-ery. Gross domestic product grew over the next month when more than 1,800 Japanese companies report what will be, according to at its fastest rate for five years at their estimates, their best annual

the end of 1995, and the consensus of economists in Tokyo is that it will rise by 24 per cent this calendar year,

However there is a limit to the extent to which that growth is feeding through to the profits of industrial companies, which dominate the stock market. The bulk of growth in domestic demand appears to be concentrated on sarvices and housing. Consumer spending remains

sluggish. The rise in average. sales, around half a percentage point, expected for last year is forecast to rise to just under 3 per cent this year, way below the records of the late 1980s. Consumer electronics compa-

nies in particular were wrong footed by the patchy nature of the recovery. They built up stocks towards the end of the rise in consumer spending, which proved disappointing.

One reason for Japanese companies sluggish sales growth is that this recovery has received less help from export sales than previous upturns, because of w economic growth in the US and Europe. The prime illustration of that is the weakness of US semiconductor demand, for which Japanese chip producers' results will be studied closely.

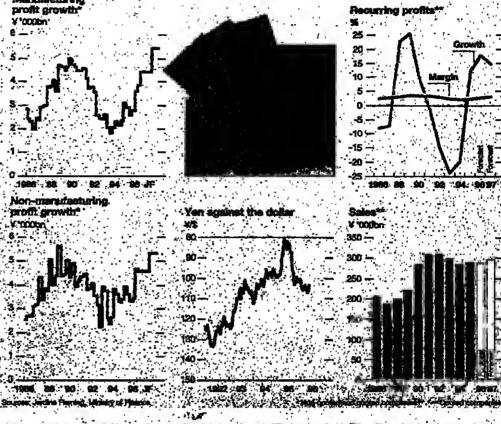
One factor in a brighter yearfor many Japanese companies will be the dollar's rise against the yen, by nearly 32 per cent from a crippling all-time low in April last year.

These figures are well known This has lifted exporters' price and reflected in share prices. margins and softened the price What will really count in the reporting season will be any competition from foreign imports to Japan. Trading companies' changes companies make in forecasts for the current year and any surprise write-offs they export businesses have been helped by the yen's fall. But the announce for the past year. Hopes are high among Tokyo weaker yen has been bad for food and paper companies, which depend on imported materials. stockbrokers, whose forecasts for

Many groups, especially in the car, heavy machinery and shipbuilding industries, will point to the benefit of several years of patient cost cutting as evidence

soundly based. years have been held at the lowest in half a century and labour costs have been constrained. This plus large companies' traditional tactic of obtaining price cuts from suppliers and increasing procurement from chesper sup-pliers abroad have helped bring down break-even points. But bears in Tokyo point to a

One is the extent to which comnanies' success at lahour cost cuiting might continue to damp results season is unlikely to throw much light on consumers' mood. But it might provide clues to two other risks to the profits upturn highlighted by Mr Andrew Smithers, a Londonbased economist.

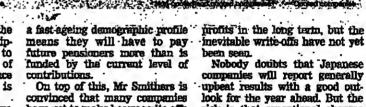


contributions. On top of this.

Wage rises in the past two

number of negatives which could slow profits recovery.

One risk is that most Japanese companies' pension schemes have yet to adjust to the fact that



have yet to make heavy write-offs for equipment scrapped during the recession. Corporate investment in new plant is surprisingly high, at 17 per cent of gross domestic product - about the same as in 1987 - and yet prodoction capacity has fallen, he points out. The combination of the two suggests that the rate at which old plant is being discarded has risen. This should be good for

inevitable write-offs have not yet Nobody doubts that Japanese companies will report generally upbeat results with a good out-

look for the year ahead. But the risk is that exceptional charges will hit earnings and make Japan's historically high price earnings ratios even more demanding than they already are. The coming results will throw a harsher light on the constraints to the profits recovery and could shake a few companies' share prices in the process.

William Dawkins | its share last year.

A long march for small investors in Eurotunnel

By David Owen in Calais

"If the bankers want to eat our money, we will eat the bankers."
There was no doubting the feeling among Eurotunnel shareholders who yesterday descended upon Calais to protest at what they see as the shabby way they have been treated. Mr Marc-Antoine Forest, 78.

author of the above threat, had

left Montpellier in the south of

France on Tuesday evening to

attend yesterday's protest. He

had not slept. He had bought his first 600 shares in the Channel tunnel operator, "a bit out of sentiment", for FFr37 a share. Their present price in Paris is FFr5.85. But Mr Forest's predicament was far from the worst among the 300 Eurotunnel investors and two white poodles - who boarded the 9.38 am train à grande vitesse from Paris Nord to Calais at a cost of FFr380 a ticket. Mr Emile Azema had paid "around FFr100 a share" for his shares and had been forced to sell some for FF120. "Lots of working people put their savings into this project. They didn't

window," he said. Yesterday's protest was organised by two separate shareholder groups formed to protect the interests of Eurotunnel's predominantly French and increasing the group's FFr68bn (\$13.2bn)

have money to throw out of the



Shareholders protest at their

angry band of small investors.
The investors see themselves as the principal victims of the sorry financial state the Channel tunnel operator. But they believe attempts to agree a financial restructuring of the company give them a certain amount of leverage. This is because, they say, any such move must be approved by shareholders.

The two groups yesterday set out their own proposals, calling for Eurotunnel's more than 200 banks to write off 30 per cent of

debt, and the creation of FFr28bn of bonds, convertible into shares at a unit price of FFr30. Mr Maurice Page, a leading light in one of the shareholder

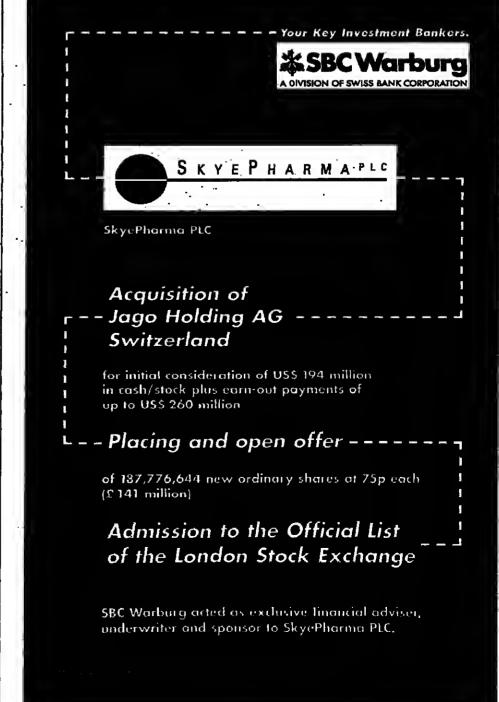
groups - the Eurotunnel Share-holders' Association - says agreement of such a scheme would prodoce a "renewal of confi-dence", prevent the banks from losing out and enable shareholders to recoup some losses. If the banks do not agree to a

FFr30 conversion price, he says, "the shareholders will not accept anything else. I think the majority are ready to lose everything rather than lose their principles." The alternative to a restructuring is bankruptcy. But some argue the banks have more to

lose than Eurotunnel's small

shareholders from such a course. Adacte, the second - more militant - shareholder group, is con-sidering a liability action against Eurotunnel's directors and banks, which it accuses of acting as shadow directors. "We think the only way for us to get a bit of money back is through court action," says Mr Albert Jauffret, Adacte chairman. Mr Jauffret would like Sir Alastair Morton, Eurotunnel co-chairman, replaced by Mr Richard Branson

"a real manager". The first phase of talks between Eurotunnel and its



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A-1 BEF 2,670,000,000 BEF 4,915,000,000

7.31%

April 2006 April 2016

BACOB BANK C.V.

MORGAN STANLEY & CO.

The undersigned acted as financial advisor to BACOB Bank C.V. with respect to the offering.

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\$150,000,000 Finating rate notes 1999 Notice is hereby given that the notes will bear interest at 6.25% per annum from 7 May 1996 to 7 August 1996. Interest payable on 7 August 1996 will amount to £157,10 per £10,000 note.

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5,750,000 Shares

Series A Common Stock

(par value \$1.67 per share)

1,150,000 Shares

This portion of the offering was offered outside the United States by the undersigned

4,600,000 Shares

This portion of the offering was offered in the United States by the undersigned.

CS First Boston

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May 1996

COMPANIES AND FINANCE: EUROPE

Scania tumbles 21% despite higher sales

Scania, the Swedish truck maker floated in New York and Stockholm last month, yester-day blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits. Pre-tax profits slid to SKrl.lbn (\$161m) despite increased vehicle sales, barely matching market expectations and well below last year's SKr1.4bn at the same stage. from SKr4.65 to SKr3.96.

offer price in April, when Investor, the main Wallenberg empire holding company, sold a 55 per cent stake via an ini-tial public offering for SKr18.8bn.

Despite the profits decline, Scania reported an increase in the number of trucks and buses sold in the first three months from 10,840 to 11,691, achieved in the face of overall market declines in the UK and Brazil, its two biggest It said order bookings were

Scania B shares eased SKr0.5 at similar levels to last year to close at SKr189.50. But they were still ahead of the SKr180 In Europe, a total of 8,076 Scania trucks were registered, 30 per cent more than during the same quarter last year and almost double the rise in truck

> moving in to second place, after Mercedes. Unlike Volvo. downturn in demand in Europe

European market.

registrations in the overall Scania said it had increased its share of the beavy truck market in Europe from 14.8 per cent to 16.6 per cent, over-

taking its great rival Volvo and Scania said it did not see a

ued to be for the 3-series range. which is gradually being replaced this year by the new 4-series, launched last year. But Mr Leff Ostling, chief executive, said Scania had not cut prices to keep up sales of the outgoing model.

Instead, he said the stronger Swedish krona and the costs of introducing the 4-series caused the fall in profits. Group turnover was up 2 per cent in nominal terms from SKr8.5bn to SKr8.7bn - although there was an underlying increase of B per cent adjusted for currency

Costs, meanwhile, rose from SKr6.8bn to SKr7.3bn. Mr Ostling said 1,500 workers would be laid off later in the year as production was streamlined to

only the 4-series. The costs increase left operating profits down 19 per cent at SKr1.23bn compared with

SKr1.5bn last time. This meant the operating margin at Scania - which prides itself on being the world's most profitable truck maker - fell from 17.8 per cent to 14.1 per cent.

However, this was still comfortably ahead of its

International

MELITY CONTRACTOR

Domestic

passengers*

United Airlines

Japan Airlines

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Continental Altines

Brilleh Airways 30.2

Air France Europe on a tight schedule

French carrier's domestic partner faces grim prospects if it fails to get its house in order

a-half to two years to Obviously the company has made significant progress, yet there is an enormous amount of work to be done."

This assessment by Mr Julius Maldutis, airlines analyst at Salomon Brothers in New York, helps explain the uncompromising way Mr Christian Blanc, Air France chairman, last month spelt out the grim prospects for Air France Europe, the stateowned carrier's domestic partner, if it fails to, in Mr Maldutis's phrase, "get its bouse in

Mr Blanc said quite simply that Air France Europe's finan-cial outlook was "leading to disaster". Its operating revenues did not even cover operating expenses. It would be insolvent in less than two years if nothing were done.

The Air France chairman outlined a programme of measures, ranging from a two-year pay freeze to the creation of shuttle services on important routes and the closure of lossmaking routes. Details of the package will follow on May 15. "The company's salvation will require the efforts of all categories of staff," he said. These efforts would have to be accompanied by support from

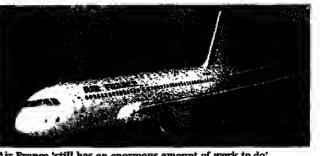
Though it has long faced competition from the high-speed train à grande vitesse, Air France Europe has een reduced to this position

Smith Barney Inc.

Smith Barney Inc.

Société Générale

Commerzbank Aktiengesellschaft



Air France 'still has an enormous amount of work to do'

Call for Expressions of Interest in Purchasing

The Groups of Assets of "Hadjiathanassiades Bros S.A. "of Athens Greece

ETHNIKI KEPHALEOU S.A., Administration of Assets and Lubilities, of 9s Chryssosphiotisus Str., Athens 10500, Greece, in its capacity as Liquidator of "Hadjuthantachede Bros S.A.", a company with its registered office in Athens, Greece, (the "Company"), presently order special inquidation according to the provisions of Article 46s of Law 1892/1990, by virtue of Decision 3646/1996 of the Athens Coun of Appeal invites increased parties to subtent within twenty (20) days from the publication of this call, non-binding written expressions of increas for the punchase of the groups of assets mentioned below, each one being sold as a single entity.

BRIEF INFORMATION

The Company was established in 1968, its activities included the processing and canning of whole tomesters, formers paste, tomeste just and regetables, the processing and peckaging of whole and granutated not, the peckaging of first instat and vegetables. The Company was declared bankrupt in 1991, while it was placed under special liquidation on 19 April 1996.

GROUPS OF ASSETS OFFERED FOR SALE

GROUPS OF ASSETS OFFERED FUR SALE.

Rice processing total (rice mill), comprising several bankings the area of which amounts to approx. 4.574 sq.m. studing on a plot of land of approx 3.630 q.m. within the city planning area of the Community of Skotusser, Series. This evaluate machanety consisting of an OLMIA polished rice production until 14 torlff1, a SCRULE probabled one production until 21 torlff1 and a sorting and packaging unit. The 'MAGIROS' rice trademark flexased out in 1938 on a long-term banks) and the company's registered name are included in the pressure group of assets.

Peeled tomato, tomato puree and tomato juice production unit and fruit and vegetable processing unit, comprising several buildings the area of which amounts to approx. 25,500 sq.m., standing on a plot of land of approx. 52,106 sq.m. tadpleting that of the normally. The plant's machinery includes a normato puree production unit, the capacity of which is equal to 2,000 sous/24 hours and units for the processing of peeled normatoes, peak, beams, peaches and affa-affa. The latter are dismantied and in a bad condition.

Remaining assets, uncl. an agricultural plot of land amounting to 4,824 aq.m. at KiCR ASMAKI, in the region of the Community of Stotusters, Series.

SALE PROCEDURE The Company's assets will be sold by way of public Austion in accordance with the provisions of Article 46a of Law 1892/1990, as amplicamented by art. 14 of L 2000/1991 and subsequently amended) and the terms set out in the call for teaders for the sale of the above assets, to be published in the great and forcing ners on the dates provided by law SURMISSSION OF EXPRESSIONS ON INTEREST - OFFERING MEMORANDUM

For the authorissions of Expressions of Interest and in order to obtain copies of the relevant Offening Memorando please contact the Liquidator. "ETHINK! KEPHALEOU SA Administration of Assets and Labilities.", "9. Chrystophilotisis (SA, Athens 10594) GREECE, Tel. +30-1323 14,84-87 Fast +30-1-32, 1.79.05 (attention Mrs. Marika Françaico).

Both the nce end the frust and vegetable conts are currently lessed out while legal pr for the termination of the lease are pending

primarily because of the advent of full competition from other French airlines on its

The barriers to competition were not fully removed until last year, but competitors are already making serious inroads to the group's business on routes such as Paris-Marseilles and Paris-Toulouse (see table). By Mr Blanc's estimate, losses would total FFr1.3bn (\$251m) this year and next if changes were not made.

Liberalisation of European air travel will be further entrenched in April 1997 when airlines from other European Union countries are allowed unfettered access to the French domestic market. Hence the tightness of the timetable stipulated by Mr Maldutis.

A big factor in determining the future viability of Air France Europe, which Air France plans to merge with its own European operations in 1997, will be the response to Mr Blanc's blueprint of the trade unions - still a power in

France. Their initial reactions did not bode well.

For one thing, they were antagonised by the tone of some of Mr Blanc's language m particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not.

For another, they expressed disappointment that they could discern no clear strategy for defending Air France Europe's market position in what Mr Blanc said. "We are under the impression that Air France has absolutely no idea what to do with Air France Europe," said spokesman for the SNPL pilots' union. The SNPNC cabin crew's union said its members were "shocked" by Mr Blanc's "alarmist plan".

he crisis at Air France Europe comes as the situation at Air France itself is showing signs of improvement after cumulative losses of about FFr15bn since 1991. The group disclosed last

month it had reduced net losses before restructuring costs to less than FFri.2bn in 1995-96 and hoped to cut this to FFr115m in 1996-97. It said gross operating profits had risen to FFr3.7bn. The figures excluded Air France Europe.

Ironically, some feel the brighter picture at Air France may make Mr Blanc's task at Air France Europe even tougher, "It is more difficult to implement a restructuring when the results you are posting are better because the unions will say 'What's the problem? We are back in profit," argues Mr Guy Kek-wick, a London-based analyst

with Lehman Brothers What is not in doubt is that the stakes for the airline - and the French government, which is seeking to implement social and economic reform while avoiding fresh confrontation with trade unions - are extremely high.

Analysts such as Salomon's Mr Maldutis think the European market will eventually come to be dominated by as few as three premier carriers which will use next year's liberalisation to expand aggressively. Two of this trio look set to be British Airways and Germany's Lufthansa, Whether Air France emerges

as the third - and in the process becomes a realistic prospect for privatisation - may hinge on the events of the next few months.

Alitalia - Linea Aeree Italiane. 20.3

Air France 15.6 Septem Ale Septem 15.5 Malaysian Airline System 14.3 January 18.5 Septem 13.8

David Owen

DSM N.V. Dividend

The DSM N.V. dividend for the financial year 1995 has been fixed at NLG 8.00 per

An Interim dividend of NLG 2.00 having been paid in August 1995, the final dividend payable amounts to NLG 6.00. The final dividend will be paid against presentation of coupon no. 14 as from 22 May 1996 at the office of the Company's Paying Agent in the United

DSM 1

S.G. Warburg & Co., Paying Agency, 2 Finsbury Avenue, London EC2M 2PP

All dividends will be subject to deduction of withholding tax of 25% in the Netherlands. United Kingdom income tax will be deducted at the rate of 5% unless claims are accompanied by an affidavit. Withholding tax deducted in excess of 15% is recoverable by United Kingdom residents. The company's United Kingdom paying agent will, upon request, provide the appropriate form for such recovery. The remaining 15% withholding tax can be credited against UK income tax.

Heerlen, 9 May 1996 The Managing Board of Directors

NSM N.V., P.N. Box 6500, 6401 JH Heerlen, The Netherlands, tel. (31) 45 5782423, fax (31) 45 5740680

TATE BLYLE PLC URRANTS TO ACQUERE ORDINAL SHARES OF TATE & LYLE PLC

a consequence of the redemptions of the note and in accordance with Condition 1 of 1 Warrans the period during which examinations may subscribe for Ordinary see of table 5 Life PLC the "Subscription of the subscription of 2nd the period the 2nd the period the period the 2nd the period the period

Warrantholders may exercise their rights in purchase Ordinary Shares of Tate & Lyle PLC on any business day during the Subscription Period in accordance with Condition 2 of the PRINCIPAL WARRANT AGENT Mantettan Bask Luvenbourg S.A. 5 Run Plants L-2338 Luxembourg Grund WARRANT AGENTS
Inque Bruzzilles Lambert S.A.
24 Averuse Marris
6-1050 Brussels

Dean Witter Reynolds Inc. A.G. Edwards & Sons, Inc. Woolgate House Coleman Street Landon EC2P 2HD Oppenheimer & Co., Inc.

TATEMLYLE PLC

OUTE & LITTLE SECTIONAL FRANCE PLC MOTICE IS HEREBY GIVEN to holders of the Bonds ("Bondholders") that, in accordance with Condition 4(b) of the Bonds, the Bonds will be redeemed on 10 June 1996 (the "Redemption Deta") for a redemption wither of \$2.989.30 julis BS.0.9 inferred per Bond accrued to the Redemption Date.

Payment of the Bonds' retemption value and interest will be made pursuent to Condition 5 of the Bonds and all outstanding unempared coupons at the office of a Paying Agent at the address shown below. The aggregate amount of principal so deducted will be paid against surrender of the nelevant coupon not leter than 10 years from the Palavert Date as defined in Condition 6 of the Bonds.

PRINCIPAL PAYING AGENT **PAYING AGENTS** que Brunelles Lumbert S.A.

Montetten Benk Linembor 6 Rue Plants L-2336 Lisemborg Grund Cassa di Risparmio di Verona Vicenza

International Finance Cnrporation

Floating rate notes 1998

the interest period 9 May 1996 to 9 August 1996 the notes will carry an interest rate of 8.575% per annum. Interest payable on 9 August 1996 will an TTL 109,569 per ITL 5,000,000 note and ITL 1,095,694 per

JPMorgan

X CARIPLO US\$200,000,000 Floating rate depositnry receipts 1998 issued by

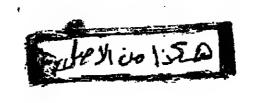
Corporation plc evidencing entitlement to payment of principal and interest on

Caripio-Cassa di Risparimo Delle Provincie Lombarde S.p.A, London Branch

Notice is hereby given that the receipts will bear interest at 5.875% per annum from 9 May 1996 to 9 August 1996. Interest payable on 9 August 1996 will amount to US\$150.14 per US\$10,000 and US\$1,501.39 per US\$100,000

U.S.\$100,000,000 Floating Rate Depositary Receipts Due 1999 Notice is hereby given that the Rate of Interest has been fixed at 5.75% and that the interest poyable on the relevant interest Poyment Date August 9, 1996 against Coupon No. 10 will be US\$146,94 in respect of US\$10,000 nominal of the Receipts and US\$1,469.44 in respect of US\$100,000 of the Receipts. MARGINED CURRENCY DEALING CALL TOLL-FREE

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May 9, 1996, Landon By: Ciribank, N.A. (Issuer Services), Agent Bank

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COMPANIES AND FINANCE: EUROPE

Schering sees 'double-digit' profits growth for 1996

DAY MAY 9 1996

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1990年1月1日日本

Schering, the Berlin-based pharmaceuticals company, yesterday revealed mixed fortunes in product sales in the first profits for 1996 would "grow by quarter, but a good profits per- a double-digit figure". In 1994, quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m (\$86.1m).

The company's fluancial income rose 58 per cent, from DM24m to DM28m. Operating profits, by contrast, slipped 1 per cent from DM198m to

Prospects for the whole year from DM187m to DM191m. were good enough for Schering to promise a return to the performance of 1994, after a relatively poor 1995. It said that the company posted net profits of DM285m. Turnover for the first

quarter rose 5 per cent from DM1.15bn to DM1.21bn. Most of the improvement derived from non-German sales, up from DM962m to DM1.02hn, Domestic sales rose

Late last year the company ple sclerosis drug, in Europe.

First quarter sales in Europe reached DM28m in spite of a "poor start" in the UK. The company blamed the lack of a "central agency in charge of administering the budget for dispensing Betaferon [in the UKF. The drug

the UK as a result of its high It said that a decline in

caused some controversy in

ties for patients had helped slow the rate of sales growth in the US, where sales were barely changed at DM90m.

Schering added that sales of Betaferon, sold as Betaseron in the US, could fall when competition hits the market later this year. Massachusetts-based Biogen is likely to be the first to launch a competitor.

Betaferon sales might not, therefore, reach their target of DM600m a year, the company

mance from the fertility/ hormone therapy products areas. Sales rose 5 per cent thanks to the hormone replacement therapy products, rather

AgrEvo, a crop protection business run jointly with Hoechst, the German pharmaceuticals and chemicals com-pany, contributed DM23m, after goodwill, to Schering's

first quarter profits. This com-

than oral contraceptives which

hava been hit by health

DM14m in the same period in

Sales in the diagnostics side principally materials for improving the quality of x-ray and body scan pictures - fell 8 per cent.

The company blamed losses in Japan partly attributable to the weakening yen. It also had to withdraw a promising new product, Isovist, last year. Sales in Latin America

showed the largest single regional increase.



Hans-Peter Keitel: present year off to a good start

Winterthur posts 15% rise for year

Winterthur, the Swiss insurance group, posted net profits for the year to December up 15 per cent from SFr364.2m to SFr419.2m (\$338m). Gross premiums rose from SFr20.5bn to SFr22.3bn. The dividend goes up by SFr415m snd SFr430m, and Winterthur house shares aloned down SFr415m and SFr430m, and Winterthur bearer shares closed down SFr4 at SFr761.

Winterthur said pre-tax profits rose from SFr730.3m to SFr815.7m. Operating earnings at its non-life division were ahead 20.2 per cent to SF1580.4m, while operating profits at its life business fell 4.9 per cent to SF1235.3m. The group said the decline in life business was "not only due to higher benefits paid, but also to larger allocations to the

reserves in disability insurance." It said total financial investments rose from SF765bn to SF772bn, with income from overall financial operations rising from SF74.25bn to SF75.19bn Non-life business premiums rose 8.9 per cent in 1995 thanks to acquisitions, the company said. The group's life premiums rose 9.2 per cent due to growth in Switzerland, Italy and the UK. Winterthur said shareholder equity fell to SFr4bn at end-1995 from SFr4.Ibn a year earlier due to an extremely strong Swiss franc and goodwill paid for acquisitions.

Rabobank builds Polish stake

Rabobank, the Dutch co-operative bank which specialises in international agribusiness lending, yesterday announced it had subscribed to a new share issue in Bank Rolno-Przemysłowy of Poland. It has acquired a majority 51 per cent stake in the Polish bank and doubled its capital to

40m zlotys (\$15m).

The bank, created in 1993, had a balance sheet total of 99m zlotys at the end of last year and is concentrated in the Polish food processing and agribusiness sector. It will now be known as Rabo-BRP Polska SA. Rabobank said it intended to invest some \$100m in new branches in central and eastern Europe over the next four years.

Hochtief up at DM137m for year

Hochtief, the leading German construction group, yesterday reported a 7 per cent improve-ment in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market, it said it was "optimistic" about results for the current year.

The improved earnings are in marked contrast to those at Philipp Holzmann, the larger rival group which Hochtief is wrestling to take over. Holzmann last month disclosed a surprise loss of DM360m, mainly due to problems in the

had been able to buttress its 1995 results following a 38 per cent rise in orders from outside

Germany, to DM5.2bn. "Our policy of internationalising something we have been doing steadfastly over tha years, has paid off," said Mr Hans-Peter Kettei, chief executive. The dividend for 1995 will remain unchanged at DM13.50.

New orders in Germany meanwhile fell 16 per cent to DM6.6bn, underlying the per-sistent weakness of the German construction market.

However, Mr Keitel said the good start with orders rising to DM2.3bn in the first quarter, 18 the same period a year earlier. Construction output, the con-struction industry's term for sales, rose 3 per cent to Overall Hochtief's construc-

tion output last year rose 6 per cent to DM11.1bn, up from DM10.5bn. Output in Germany rose 3.6 per cent to DM7.6bn while output abroad was ahead 10.4 per cent to DM3.9bn.

The group said its subsidiaries in Australia, the Netherlands and South Africa had contributed to the improved results with unspecified Despite the improved results,

Mr Keitel repeated his warnings - directed mainly at Holzmann, which it is attempt-

man construction industry powerful international compe-tition unless it changed its The big German construc-

tion companies cannot com-pete internationally if they remain a number of medium sized companies, assembled under the roof of a holding company, doing mainly tradi-tional construction activities," Mr Kettel said. "[They] have to restructure

themselves and think in new categories ... in order to be able to manage a number of activities from project development to facility manage-



Dividends boost at Italian insurers

By Andrew Hill in Milan

Ina and Ras, two of Italy's largest insurance companies, plan to raise their dividends by more than one-third on the back of strong increases in

Ina will propose a dividend of L55 per ordinary share, compared with L40 the previous

Mr Sergio Siglienti, Ina chairman, said vesterday the company was "technically ready" for the next phase of privatisation - the sale of the treasury's remaining 34 per-

Analysis believe last month's insurance activities, which election victory for the centre. accounted for some L300hn of left should accelerate the sale, premium income in 1994: probably through an issue of Stripping out those government bonds convertible operations, the group said non-into ina shares: A bond issue life premiums had risen by 8 would avoid the treasury havlower than the L2,400 of the 1994 flotation. Ina's shares closed yesterday at L2,278,

Ina's net consolidated profit rose from L293bn in 1994 to L395bn (\$254m) in the - 13 months to December 31 1995, helped by a 15 per cent rease in premium income to L2,971bn, against L2,580bn a

year earlier. ina said it was still searching for a new banking partner, following tha end of an earlier agreement with Banca di

Ras, which is controlled by Allianz of Germany, plans to pay a dividend of L340 on ordinary shares and L400 on savings shares, against L250 and L300 respectively for 1994. Ras closed calendar-year 1995 with a net profit of L319bn, up nearly 60 per cent on 1994's L201bn.

Premium income was slightly lower at L4,161bn, against I.4.381bn in 1994, but the company explained that the reduction was almost entirely due to the ending of the group's energy, oil and gas Analysts believe last month's insurance activities, which

per cent in the year, and life

Ras also appounced a reshuffie of management, promoting three of the company's general managers - Mr Mario Greco, Mr Salvatore Militello and Mr Pierluigi Riches - to managing director, each in charge of a different business area.

.. The company said Mr Giulio Baseggio and Mr Attilio Lentati would give up their role as joint managing directors while retaining the post of joint chief executive alongside Mr Angelo Marchiò, chairman.

Teleshopping set to grow in Germany

By Frederick Stüdemann in Munich

Home Order Talevision, Germany's first television shopping network, which launched last October, yesterday said it expected turnover in 1996 to reach DM65m (\$43m) and that it would start making operating profits in 1998.

The network, which is jointly owned by the Quella mail order group, Mr Thomas Kirch and Mr Georg Kofler, said it expected to have fully paid off initial investment costs of DM100m by 2000.

Mr Andreas Buschelhoffer, joint chief executive, said thet

in the long term he expected turnover to settle down at about DM500m. "That is where we see the saturation point," he said.

The network is a pioneer in the German television industry, which is undergoing considerable upheaval in the approach to possible liberalisation and the arrival of digital

Teleshopping is considered particularly attractive, given the popularity of mail order shopping in Germany, which has prompted retailers, such as Quelle, to move into television. Rewe, the high atreet retailer, this year bought a 40 per cent stake in the Pro Sieben network from Mr Kirch and Mr Kofler.

Foreign companies, such as the US based network QVC, are also looking at the German

market. The growth of teleshopping has been hampered, however, by legal restrictions which limit television shopping to one hour a day on commercial networks, and which strictly speaking do not allow networks devoted wholly to

HOT, however, was able to convince the licensing authorities in Bavaria that it was not ao much a broadcasting network as an "audio-visual catalogua".

Other regional states are now following Bavaria's lead and a reform of tha state's Broadcasting Treaty, under which the Lander administer broadcasting in Germany, is expected to bring further liberalisation.

At present HOT can ba received by 4m households through cable and satellite distribution.

The network said it would expand distribution in the coming year into Austria and Swit-

Within Germany, it has signed distribution agreements with several local networks for the transmission of daily one-hour segments which can be received by about 7m

In its first six months of operation, the network said it had found many previous assumptions about teleshopping to be false.

"Many peopla thought it would be primarily something for women, but in fact nearly half - 47 per cent - of our sale are made to men," Mr Büschelhoffer said. Furthermore, product groups

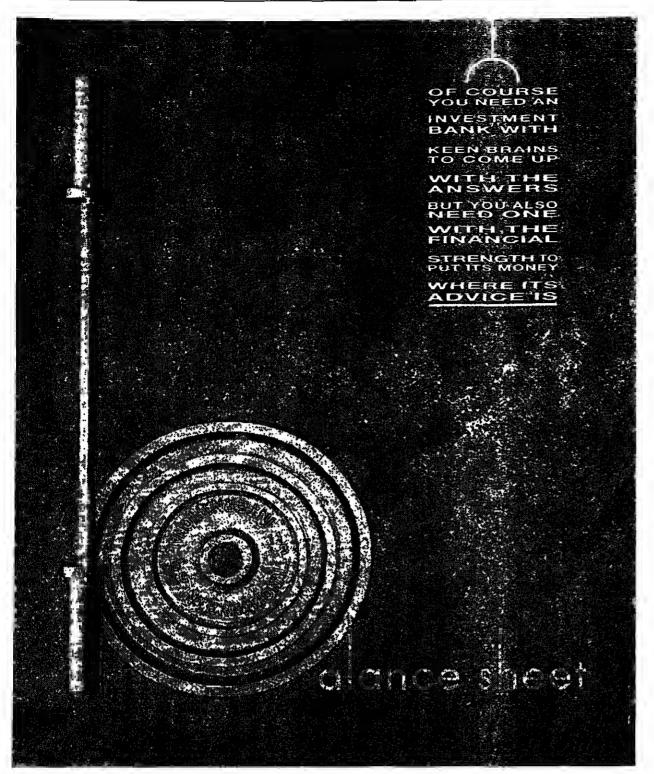
believed to be more attractive

to female customers - such as

jewellery and household goods were in sales terms split almost equally between the Mr Büschelhoffer said that in general, German viewers did not respond to the hard-sell

techniques popular among US







INVESTMENT BANKING, FROM A TO

A DIVISION OF BARCLASE BEAR PLE



REGULATED BY SEA -40 IMPO

DANONE

DIVIDEND PAYMENT

At the General Meeting of Danone Group on May 7, 1996, shareholders voted to give each shareholder the option of payment of the 1995 dividend of FF 16.00 (excluding the tax credit) in cash or share form.

The issue price of shares distributed in lieu of n cash payment was set at 90% of the average opening price for the twenty trading days prior to the Meeting, exdividend, nr o total of FF 689. New shares will become available on July 22, 1996.

On May 7, the day of the General Meeting, DANONE shares were apening at FF 798.

Regardless of their preference, shareholders retain the benefit of tax credit lavoir fiscal) attached to the

Shareholders may exercise their choice between May 13 and June 7, 1996 inclusive.

Shareholders who opt for dividends in cash rather than in shares will be oble to receive payments os of May 13, 1996 provided they have instructed their bank nr other financial intermediary accordingly.



DANONE

FIRST-QUARTER SALES UP 5.4%

Consolidated sales of Danone Group amounted to FF19.5 billion in the first quarter of 1996, 5.4% more than the FF18,5 billion recorded in the same period of 1995.

S	des by division were os follows:		
	(FF millions)	1995	1996
	Europe		
	Dairy products	5,287	5,661
	Grocery products / Pasto	3,999	4,019
	Biscuits	2.864	2,802
	Beer	1.483	1.465
	Minaral water	1,552	1,579
	Countainers	1.553	1,550
	International	2.389	3,000
	Intra-group transactions	(599)	(553)
	GROUP TOTAL	18.526	19,523

This 5.5% rise reflects a progress in arganic growth (up 2.5%), and hist consolidation of companies active in dairy products in Europe and Argentina, and biscuits in Argentina and China.

Europe	
Dairy products	+ 4.1%
Gracery products / Pasta	+ 3.7%
Biscuits	- 2.1%
Beer	- 1.6%
Mineral water	+ 2.0%
Containers	+ 0.5%
International	+ 3.5%
GROUP TOTAL	+ 2.5%

but signs of firming emerged in April



NATIONAL BANK OF CANADA US\$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given

the Notes will carry an Interest Rate of 5.70 % per annum. The Interest Amount payable on the relevant Interest Payment Date, August 09, 1996 will be US\$ 145 67.

The Financial Times plans to

publish a Survey on

on Friday, May 24.

per USS 10,000 principal amount of Note and US\$ 1,456.67 per amount of Note.





3rd May. 1996

U.S.\$300,000,000

St.George

Floating Rate Notes due 1998 For the three months 8th May, 1996 For the three months 8th May, 1996 to 8th August, 1996 the Notes will carry an interest rate of 5.67734% per annum with an amount of interest U.S.\$145.09 per U.S.\$10,000 Note and U.S.\$1,450.88 per U.S.\$1000 Note, payable on 8th August, 1996.

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COMPANIES AND FINANCE: ASIA-PACIFIC/INT'L

SA banks warn despite progress at halfway stage

By Mark Ashurst in Johannesburg

First National Bank and Nedcor, the South African banking and financial services groups, yesterday reported solid growth for the six months ended March 31.

However, hoth groups predicted a slower rate of asset growth for the second half, cit-ing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates after the recent sharp falls in the rand.

First National posted a 13 per cent rise in pre-tax income, from R6029m in the first half of 1995 to R681.3m (\$155.2m). Earnings per share rose 17.5 per cent to 103.5 cents. The dividend was raised by one-third. to 20 cents a share.

Analysts said the results were helow expectations. "Most analysts were looking for at least 19 per cent on earnings, if not somewhere in the early twenties," said one.

Mr Barry Swart, managing director, said the increased uld correct the proportional imbalance between the interim dividend and the year-end dividend, which was 66 cents a share at September 30 last

The charge for bad and doubtful debts rose 42.1 per cent to R256m, against R180m, nf which 32.5 per cent was owing to the incorporation for the first time of FirstPref

Finance, First National's vehicle financing arm. Net interest income rose 24.8 per cent to R1.7bn. Total assets

were up 20.5 per cent to R82.5bn but had risen only 6.7 per cent, or R5.2bn, since September 30 last year. Nedcor reported a 32 per cent rise in pre-tax income, from R546m to R718m. Earnings per

share increased 24 per cent to

210 cents, and the dividend was

25 per cent higher at 45 cents 3 Analysts said the results were broadly in line with expectations, although final results in September were now unlikely to exceed forecasts of

25 per cent earnings growth. Mr Richard Laubscher, chief executive, said the results reflected "a solid all-round performance, despite a cautionary build up of bad debt provisions for new business activities". Earnings had grown an average 20.2 per cent over the past

three years. The ratio of expenses to total income for the period was 62.8 per cent, compared to 65.5 per cent last time. The group intends to reduce costs to achieve a ratio of 60 per cent within three years.

Net interest increased 21 per cent to R1.4hn as margins came under pressure from higher interest rates in the money market.

Total assets increased 23 per cent to R79.1m, a rise of 9 per cent since the end of fiscal

Westpac divests Victoria operations

By Nikki Tait in Sydney

The shake-out in Australia's hanking sector took a fresh twist yesterday when Westpac, one of the four big commercial banks, sold the Victorian operations of its recentlyacquired Challenge Bank sub-

sidiary to Bank of Melbourne. Bank of Melbourne, which is listed and heavily oriented towards the consumer and home loan markets, is one of the declining band of regional banks left in the sector, and has itself been the target of takeover speculation.

It sald yesterday it had agreed to pay Westpac net assets and liabilities, plus a premium of A\$69m (US\$55.2m), representing goodwill. "It is estimated that the total purchase price will be approximately A\$900m," it said.

Westpac made a successful A\$689m bid for Challenge's shares last year. Challenge is based in Perth, and Westpac was widely viewed as being primarily interested in increasing its presence in Western

Yesterday, Mr Bob Joss, Westpac's managing director, said the sale was "consistent

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with our strategic objective of concentrating on Challenge's regional WA strength". "It also represents a good

return for our shareholders and ensures focus on the integration of our WA business," he added. The business that Westpac is

selling includes retail and com-mercial assets of about A\$1.3bn and deposit liabilities of A\$503m, and comprises 22 branches. It has some 132,000 customers and 241 employees. Bank of Melbourne said the deal would lift its share of

lending in Victoria to 10.1 per cent, compared with 8.4 per cent at present, and its share asset value for the Victorian of deposits from 10.4 per cent to 11.1 per cent. It will fund the deal from cash reserves and from a A\$205m medium-term note issue

Mr David Airey, chief executive at Bank of Melbourne, said he expected the deal to add about A\$15m in pre-tax profits in 1996-97, and lift total assets at Bank of Melbourne to more than A\$10bn. Shares in Bank of Melbourne

remained steady on the news at A\$7.10, while Westpac which is due to report interim results next week - eased A\$6 to A\$5.92.

NEWS DIGEST

Malaysia seeks steelmaker rescue

Malaysia is considering proposals from four private companies to rescue the state-owned steelmaker Perwaja Terengganu, which borrowed heavily and has been suffering high operating which borrowed heavily and has been suffering high operating losses. Mr Anwar Ibrahim, deputy prime minister and finance minister, said the four companies were Renong Berhad, Westmont Industries, Lion Corporation and the Maju Group. All are highly-diversified, with close government contacts. Mr Anwar gave no details of the proposals. Perwaja is under finance ministry control while it is being audited.

Steel industry analysts said the government had not yet decided what form the private participation in Perwaja might take. The most likaly option was that one or two of the interested companies would take an equity stake alongside a remaining state holding, analysts said.

Estimates of Perwaja's debt range from about 5.7bn ringgit to 6.8bn ringgit (\$2.29bn \$2.7bn), much of it owed to foreign financial institutions and denominated in yen. Accumulated operating losses are 2.5bn ringgit. Analysts said the government would probably pay off Perwaja's debt to make the steelmaker more tempting to private sector suitors, but make the steelmaker more tempting to private sector suitors, but make the steelmaker more tempting to private sector suitors, but would leave its accumulated iosses because 30 per cent of these could be claimed as tax deductions on earnings.

Perwaja, with some 4,000 workers, manufacturers a range of steel products used mainly in construction. Demand for its products seems assured because of 31 government projects worth an estimated 163bn ringgit between 1995 and 2020, but James Kynge, Kuala Lumou operating costs are high.

Indonesian tin miner up sharply

Tambang Timah, Indonesia's integrated tin mining company, saw net profit in the first quarter increase about 90 per cent on the same period a year earlier, on higher average prices for tin and increased sales volume.

Net profit rose to Rp39.4hn (\$16.9m) in the first quarter from Rp20.64bn a year earlier, while sales advanced 26 per cent to Rp135bn. The average tin price in the period increased from US\$5,825 a tonne in the comparable 1995 period to US\$6,299 a tonne, while first-quarter sales volumes rose from 8,400 tonne

The first-quarter net income figure compares with Rp59bn recorded in the fourth quarter last year, but this included a one-time extraordinary gain on the sale of assets. Timah's production costs are expected to increase this year, but analysts say this is unlikely to have a significant impact on earnings growth as world prices and demand for tin are set to

A rise in production costs is attributed to increases in capital expenditure as the company starts exploration for diamond mining on the island of Kalimantan and gold mining

A company official predicted that costs would rise to US\$4,459 a tonne, against US\$4,210 a tonne last year. Analysts noted that production costs were also slightly higher in the first quarter as Koba Tin, in which Timah has a 25 per cent stake, started operating its own tin smelter. This took about 1,700 tonnes out of Timah's smelter output, leading to a "slightly lower utilisation rate and therefore higher production costs", said one Jakarta-based analyst. Manuela Saragosa, Jakarta

Australian brewer in Vietnam deal

Power Pacific, the Australian brewer, has signed a \$276.9m joint venture contract with Vietnam's largest brewer to build a plant near Ho Chi Minh City in southern Vietnam, its second brewing venture in what has fast become a competitive market. The joint venture company, known as Salgon Power Brewery, would be owned 51 per cent by Power Pacific with the rest held by Saigon Brewery, a state-owned company that produces the "333" brand originally brewed by the French

Power Pacific said the brewery would be completed in 1998, when initial output should be about 150m litres, rising to 300m

The company puts annual beer consumption in Vietnam at about 6 litres a head, and anticipates an annual growth rate of 20 per cent. Saigon Power Brewery planned to produce "an international premium brand" in addition to Saigon Brewery's existing range. The official said Power Pacific was negotiating with Anheuser-Busch, the US brewer, about involvement. Anheuser-Busch produces Budweiser beer.

The Australian company was also talking to other international brewers about taking a debt or equity position in the project. It has one other brewery in Vietnam, a small plant, also in Dong Nal province, producing about 20m litres of

draught beer annually. Since the Vietnamese brewing sector started to attract foreign investment in 1993, the number of foreign and local brands produced has soared. Foreign arrivals include Carlsberg, Tuborg, San Miguel, Tiger and Guinness. As a result, some industry analysts question whether there is scope for more foreign investment.

Jeremy Grant, Hanoi

BROWN BOVERI

Notice to shareholders and bondholders

Bearer shares with a nominal value of Sfr 100 Registered shares with a nominal value of Sfr 20 31/2% bond issue (ex warrant) 1987-99 to the value of Sfr 148 million 31/2 % bond issue (ex warrant) 1989-2000 to the value of Sfr 150 million 4% convertible bond issue 1990-98 of Sfr 150 million

As proposed by the Bnard of Directors, it was dacided at the Annual Genaral Meeting of May 2, 1996 to change the company's name from BBC Brown Boven AG to ABB AG. The change was made to reflect the unity of the ABB Group. It also makes it clear to investors that investing in shares of the company corresponds to a participation in the international ABB Group. Because of the change, from May 9, 1996 all bearer and registered shares, and

all outstanding bonds will be listed on the Zurich, Basle and Geneva exchanges under the name nf:

ABB AG

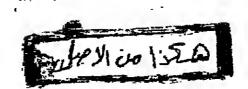
(formerly BBC Brown Boveri AG) Baden

All security numbers will remain unchanged. Physical securities will not be

Zurich, May 9, 1996

On behalf of: **CREDIT SUISSE**

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COMPANIES AND FINANCE: THE AMERICAS

Berkshire lifts size of offer for third time

By Maggie Urry in New York

Berkshire Hathaway, the 67,500 shares. insurance and investment group chaired by Mr Warren of its B share offer for the third time, in an attempt to meet all demand for the shares.

The issue, which was due to be priced after the New York market closed last night, was put up from 350,000 to 450,000

Salomon Brothers, the ing were trading at \$38,000, tion, Berkshire's filing said it per cant of USAir as a result underwriter, has an option down \$1,900 after rising would offer the shares to berkshire paid \$358m for the over a further 15 per cent or sharply on Tuesday. The issue USAir itself.

Also yesterday, it was revealed that Berkshire had Buffett, has increased the size flied a plan with the Securities and Exchange Commission to sell some or all of its holding of 358,000 Series A convertible preferred shares in USAir, the troubled strine.

Berkshire's B shares will be priced at about 1/30th of the A shares, which yesterday morn-

would raise some \$500m for Berkshire, excluding the Salomon option.

However, it would increase the group's share capital by only 1 per cent. At the group's annual meet-

ing on Monday, Mr Charles Munger, vice-chairman of Berkshire, characterised the issue as "a non-event". Regarding the USAir posi-

If the airline did not buy them. Berkshire would be free to sell some or all of the shares at a price at or above that offered to USAir for a period of

up to 90 days.
USAir said yesterday it had received the letter and would be responding. Berkshire has promised it would not know-ingly sell the shares to anyone who would hold more than 3

Berkshire paid \$358m for the USAir preferred stock in 1989. After years of losses, Berkshire wrote the investment down to \$39.5m in its 1994 accounts.

A return to profitability by USAir in 1995 allowed Berkshire to write the holding up again, to \$215m. At Monday's meeting, Mr Buffett said the investment "looks considerably better than it did 18 months ago, but the fundamental prob-lems are there".

well above the offering price. Eventually, Wit Capital

hopes to create an Internet

stock exchange that would use

a database to match buyers

But first Mr Klein will have

prove that direct Internet

share trading can be done under existing regulations. His first effort at trading was

halted by the SEC because

Spring Street was acting as its

own transfer agent: under Spring Street's Wit-Trade sys-

tem, potential buyers and sell-

ers post offers on a bulletin

and sellers without the inter-

vention of expensive brokers

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FEBRUARY 1996

Investing for Value Worldwide.

Cyberbankers set to invade the Internet

Web sites are being set up to help small companies raise money, writes Lisa Bransten

few weeks ago Mr
Andrew Klein was a
former corporate lawying to build up a small agreement company in Manhating investors.

plans to offer shares in Internet and Scor-Net trading over the Internet, announced late on Tuesday that it planned to file a registration for an initial public offering by the end of June, writes Lisa Bransten in New York. This could herald the biogent IPOs over the Internet. former corporate lawyer trying to build up a small brewing company in Manhat-tan. Then his Spring Street Brewing conducted its initial ber of the Securities and public offering over the Internet, and hundreds of tiny companies flocked for advice about raising capital in cyberspace. Now he has formed Wit Capital Corporation - named after Spring Street's Wit beer -

a full-service investment bank offering underwriting and Spurring the process is the investing services on the Inter-He is not alone. In Albuquerque, New Mexico, Mr Michael Weinstein and Mr Jack Beu Ezra hope to use the Internet to raise money for, among others, a start-up that builds housing for the elderly and a com-

I AM NOT A NERD, FATHER-

I AM AN INVESTMENT BANKER

pany that raises hydroponic

ROBER BEALE

Exchange Commission and a champion of the benefits of technological innovation, does not think Internet offerings will replace the Wall Street variety, although he believes they could provide opportunities for little companies seekwhich he hopes to develop into ing relatively small amounts of capital

growing use by entrepreneurs of direct public offerings through s special SEC programme, and through stateregistered Scors (small corporate offering registrations), both of which allow companies to raise a limited amount of money by selling shares directly to the public.

Mr Clay Womack, a private In California, Direct IPO investor and fund manager in

one of the biggest IPOs over the Internet.

The broker has said it might underwrite at least a portion of its own IPO. Securities and Exchange Commission restrictions prevented the company from disclosing more details. Recent IPOs of Internet related companies have been valued at three to 12 times forward revenues, according Mr Jonathan Cohen, an analyst at Smith Barney. That puts the value of E-Trade, which had revenues of nearly \$10m in the fourth

quarter of last year, at about \$500m. E-Trade was founded in 1991 by Mr Bill Porter, a physicist who was led in to on-line broking through his interest in getting stock quotes from his computer. It began offering on-line trading in 1992, mostly through on-line services such as America Online, and this year it began offering trading over the Internet.

Net Web site as a resource for small businesses in August. Later this year, he hopes to begin listing corporate offerings registered under the Scor programme for an initial fee of \$350 plus \$500 a quarter. Scor-Net is being developed

with state regulators as a uonprofit entity, and has asked the SEC to review its plans. Consulier Services of California, the financial services database that is sponsoring Scor-Net, will not make claims about the authenticity of any company listed on the site, but it is only available to state-registered

offerings. Wit Capital, Direct IPO and the Ben Ezra-Weinstein group all plan to perform some due diligence in exchange for much higher fees or a percentage of the capital raised.

None of that guarantees fraudulent companies will not find their way on to the inter-net, but Mr Wallman thinks the Internet's open nature makes it a difficult environment for fraudsters.

Risky ventures are another story. By their nature, capitalpoor companies with no record Stewart-Gordon, who monitors small offerings as publisher of Scor-Report, says that the deals work best in rural areas where everybody knows the people starting up the busi-

"The Internet is a great source of information, but you don't have analysts monitoring the companies and that is a problem," he says.

There is a populist tone to

California, launched the Scor- the ideas of these would-be cyberbankers; who want to provide main street investors with a way in to companies that are usually only available

> In recent IPOs for companies such as Netscape Communications, the Internet software maker, and Yahoo!, the Internet guide, large institutions got most of their share alloca-

board at the company's Web site, and then contact each other by e-mail or telephone to agree on a price. Once a price is agreed the purchaser sends a cheque to Spring Street, which transfers the money to the seller and the shares to the to large institutions and rich venture capitalists. buver.

The SEC has given Spring Street tentative approval to resume trading, assuming it finds an outside escrow agent



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NOTICE is hereby given that, by a letter dated 8th May 1996 (the "Letter") enclosing a press release issued on 3rd May 1996 (the "Press Release"), Royal insurance Holdings plc (the "Company") notified its shareholders that, in connection with the proposed merger between the Company and Sun Alliance Group plc ("Sun Alliance"), a scheme of arrangement under Section 425 of the Companies Act 1985 is to be proposed in relation to the Company pursuant to which all the issued share capital of the Company will be cancelled and re-issued to Sun Alliance and Sun Alliance will issue new shares to former shareholders of the Company. A copy of the Letter and the accompanying Press Release can be obtained from the offices of the paying agents specified below.

Details of the proposals to be made to the holders of the Bonds referred to above will be notified to bolders of the Bonds in due course in accordance with the terms of the Bonds and will also be available from the offices of the paying agents specified below.

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COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp shares slip in response to earnings fall

By Nikki Tait in Sydney

Shares in Mr Rimert Murdoch's News Corporation fell almost 3 per cent yesterday after the media and entertainment group announced a sharp decline in after-tax profits for the three months to the end of March - from A\$251m (US\$200m) in the period a year ago to only A\$77m this time.

The fall, however, was mainly caused by a A\$204m ahnormal item - compared with a A\$40m charge last time - resulting from losses on the sale of the educational bookpublishing interests to Pearson, which owns the Financial Times, for US\$575m in Febru-

The lower third quarter result brought the profit after tax and abnormals for the first nine months of the financial year to A\$779m, compared with A\$1.07bn in the first three quarters of 1994-95.

quarter profits were also lower - but by a much more modest 3.4 per cent. News made A\$281m, down from A\$291m in the third quarter of 1994-95. This left the nine-month profit figure at A\$944m, compared

with A\$964m previously. Revenues for the third quarter were up from A\$2.88bn last time to A\$3.05hn and for the nine months down from A\$8.97bn to A\$9.83bn. Earnings per share after nine months, before the abnormal charges, were down from 33 cents a year ago to 30 cents.

News said most of its busi-

ness divisions posted gains. There was a strong performance by the film unit, which saw third quarter operating profits rise from A\$48m a year ago, to A\$63m - helped by good box office returns for Wniting to Exhule, Broken Arrow and Broweheart.

The newspapers division also

Before abnormals, third held steady overall, at A\$117m for the quarter - from A\$116m ~ despite absorbing the large paper price increases. in the UK, the newspaper interests posted an 8 per cent improvement in operating profits, but the Australian business fell 4

> per cent. There was a weak performance by the TV division, where third quarter profits slipped from A\$113m in the third quarter of 1994-95 to only A\$77m this time. News said this reflected lower earnings at both Fox Broadcasting in the US, where higher licence fees and promotional costs cut margins, and at its Hong Kong-based Star TV business.

Third-quarter interest charges rose A\$140m to A\$160m

The size of the abnormal item surprised some analysts, as did the weakness on the television side. News shares closed down 19 cents at A\$7.01.

India's NSE builds stock list for automated system

By Mark Nicholson in New Delhi

India's National Stock Exchange is canvassing local and foreign financial institutions to determine a list of the first 100 Indian stocks to be admitted to what the Bombaybased exchange hopes will hecome the country's first automated share depository. Mr R.H. Patil, NSE managing director, believes the exchange will have a software package

ready hy September and could begin automated, book-entry share settlement operations in October, provided India's next government does the necessary legal groundwork in time. He said the list of the first 100 stocks would be complete by next month. Mr Patil said the NSE, which is partnered in

the depositories venture by the Industrial Development Bank term-lending institution, and the Unit Trust of India, the bigrest mutual fund, were "eight to nine months" ahead of rival consortia aiming to establish depositories. Creation of a share deposi-

tory to supersede the cumbersome, costly and erratic system of paper-based trading and settlement is expected to do more than any other single reform to improve the efficiency of Indian equity markets. It is also likely to trigger much hig-ger inflows of foreign portfolio investment, notably from USbased funds. The government issued an

ordinance last year permitting a system of multiple depositories. This has since lapsed and would have to be renewed by India's next government, being decided in elections this week. and put into law by the new parliament. Market officials of India, the country's biggest foresee no political opposition.

:Saled (Ybn)

Audio equipment

said the NSE, which began operating as a rival to the Bombay Stock Exchange in 1994 and is owned by 20 Indian financial institutions, had shortlisted two technical suppliers from Sweden and Belgium for the depository.

Mr Patil also said the NSE had written to the higgest equity market participants asking each which stocks they would like to see as part of a start-up depository. He said that only 100 stocks would be admitted initially, but added: "We hope this will nevertheless be able to cover 50 per cent of the stock float in the market.

In the past year the NSE has risen in the last year to become India's chief equity exchange. In the past six months NSE volumes had surged to average three time those of the Bombay Stock Exchange, Mr Patil said.

NEWS DIGEST

Reliance net profit up 22.6% for year

Reliance Industries, India's largest private sector enterprise, recorded a 22.6 per cent increase in net profit to Rs13.05bn (\$378m) In the year ended March 31, against Rs10.65bn last

The textiles and petrochemicals conglomerate reported record total income of Rs80.58bn this year, up from last year's RS73.31hn. Sales increased from RS70.19bn for the previous financial year to RS77.86bn. Operating profit rose from RS16.23bn to RS17.52bn and cash profit from RS13.43bn to RS16.42bn. Profit available for appropriation for the current year was up from RS11.27bn last year to RS13bn.

The directors recommended a total dividend revisit of

The directors recommended a total dividend payout of Rs2.76bn for the year, the largest in the Indian private sector, Reliance industries is one of the most widely-owned companies in the world, with more than 2.6m shareholders. The company's net worth stood at Rs84.05bn and total assets

Reliance is setting up a 15m tonnes a year oil refinery at Jamnagar in Gujarat at a cost of Rs870m to supply liquefied petroleum gas, naphtha, gasoline, kerosene, diesel and other important petroleum products to its own petrochemical plants, and eventually for the domestic market. This is part of the company's strategy of vertical integration, under which it aims to be involved in the entire value added chain - from oil production to the retailing of a variety of petroleum products to textiles. The company is also diversifying into new sectors including energy, infrastructure and natural resources. Shiraz Sidhoa, New Delha

Wesfarmers dips at nine months

Wesfarmers, the Perth-based energy and rural products group, has announced a 27 per cent fall in profits after tax during the first nine months of 1995-96. The company said yesterday that it made A\$64.5m (US\$51.6m) in the nine months to the end of March, down from A\$88.5m in the same period a year ago.

It blamed the downturn on the depressed wool market, the drop in beef cattle prices and the slowdown in the house-building sector. Wesfarmers acknowledged that demand for fertilisers and chemicals was likely to be stronger in the final quarter of the current year, but said directors had again downgraded estimates of full-year profits. Shares in the group fell 12 cents to A\$7.75.

Nikki Tait, Sydney

James Hardie to close unit

James Hardie, the Australian building materials group, warned yesterday that the proposed sale of its international contracting business had fallen through, with the result that the operation will now be closed down. It expected the closure to result in an abnormal charge of A\$6m (US\$4.8m), hringing to result in an abnormal charge in the year to March to A\$27m.

Nikki Tuit

Ampolex snubs Mobil arm's bid

Ampolex, the Australian energy group facing an unwanted A\$1.5bn (US\$1.2bn) bid from an offshoot of Mobil, the US oil giant, yesterday formally rejected the terms, saying the offer "does not recognise Ampolex's strong growth record and immense potential, let alone its specific value to Mobil". It has sent sharebolders an "independent valuation report" by Grant Samuel, which puts the value of Ampolex shares at between A\$4.44 and A\$5.91. Mobil is offering A\$4.25 a share.

Rit.

 ${\bf v}_{2}$

Sony charts course for its brave new world

The group is focusing on hardware but building a digital role, says Michiyo Nakamoto

ony, the consumer electronics group which cele-brated its 50th anniversary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different

business environment. Earlier this year Mr Nobuyuki Idei, a year in to his job as Sony president, outlined the corporate vision - a company that will "fulfil the dreams of the digital era". Soon afterwards, he announced a ehake-up of the group to achieve that vision.

Sony has also agreed an alliance with Intel to enter the PC market, has joined an industrywide alliance to standardise technology for digital video disks and is restructuring its US films operations, removing its former US chief, Mr Mickey Schulhof, in the process.

The flurry of activity suggests Sony is coming to grips with its role in the changing world of consumer electronics. During the past few years, it had looked like a company that had lost its way.

Problems at Sony Pictures Entertainment, its US film subsidiary, which has suffered falling sales over the past two years, resulted in a goodwill write-off. It also had to bend to a compromise after a public argument with Toshiba of Japan and consumer electronics groups over the digital video disc standard.

These were the more conspicuous signs of the difficul-ties fecing Sony but at their root were the significant changes occurring in its main consumer electronics markets. Large, lucrative markets, insatiable appetite for new electronic goods, have become battlegrounds for brutal pricecutting. At the same time, analogue technology - long the

basis for consumer electronics

products - is increasingly

being replaced by digital tech-

nology. Sooy is a very different creature from the 30-man operation that scored its first success selling radio converters in warbattered Japan and then went on to become the nation's most famous company. It now has 138,000 employees and emhraces activities ranging from the production of electronic equipment to musical recordings and film, which created group revenues of Y3,983bn (\$37.9bn) in the year

It was also transformed from a paragon of creativity and entrepreneurial spirit into a bloated, bureancratic organisation, struggling to maintain sales in shrinking markets. "Sony employs ebout 1,000 new graduates annually, which is enough to fill a new building each year," notes one company official. "But it cannot cut staff

when things are bad. The

to March 1995.

dilemma for companies in postwar Japan, including Sony, is that they have to keep grow-

To support an organisation of such size, Sony has strug-gled to keep production np at To do so, it adopted an

aggreesive pricing strategy that earned it notoriety among competitors. Sony drove prices [of laser disc/CD players] so low ... that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

hile the problem of weak prices persists, particularly in the mature audio market, the environment is looking decidedly better for Sony. The consumer electronics market is expected finally to

start expanding again with the emergence of new multimedia products, such as digital video disc and multimedia PCs,

Sony is no longer on the defensive and claims to have identified its role in the multimedia age. The focus of management energies has, understandably, been on the hardware business, which still

cent of revenues. Mr Idei's call to become a company of "digital dream kids" that will satisfy the desires of other "digital dream kids" provides the strategic vision while the latest restructuring offers the framework to achieve that goal.

generates more than 80 per

The ahift to digital broadcasting in the US and Europe, for example, "will affect our way of making products in very fundamental ways, points out Mr Idei. To cope with such changes, Sony is "building a structure that can deal with the shift to digital technology", he explains.
The strong emphasis on com-

ponents is part of that structure. Even in the new markets, the ability to cut production costs by sourcing important

components in-house will be a crucial determinant of success, eays Mr Masashi Kubota, industry analyst at ING Bar-

Sony's particular strengths in encoder/decoder technology, disk drives, optical pick-ups and lithium lon batterles strengthen its ability to become a leading provider of digital products.

Meanwhile, rather than pursue elusive synergies between its hardware and software business, the company is now simply trying to establish a stable profitable organisation in each of its key businesses: electronics, music and films." Mr Kubota says.

The film business is being restructured to concentrate on generating profits through reliable projects, such as TV programmes, rather than highrisk, high-budget movies, analysts note. Its music business has generally provided stable

The greatest test of Sony's success in fulfilling its digital dream is likely to come through its alliance with Intel to produce a PC for bome

As PCs increasingly become household items. Sony sees an opportunity to enter the home market. Since most people find it difficult to use today's PCs without Intensive instruction "it is inconceivable that PCs will enter the home in their present form". Mr Idei believes. "We bope to make

PCs that people can enjoy."

Given the strong reputation it has built in the past 50 years, Sony seems well placed to succeed in the multimedia world. But the further it goes beyond its traditional borders in search of its digital dream, the more daunting the competition It faces from unfamiliar

Indosat posts 8.7% rise in opening quarter

By Manuela Saragosa in Jakarta

Indosat, the Indonesian statecontrolled international telecoms carrier, lifted 1996 firstquarter net profit by 8.7 per cent, boosted by an 18 per cent increase in its international traffic volume.

Net income in the quarter totalled Rn114.6bn (\$49.2m), compared with Rp105.5bn last time, while operating revenues increased from Rp238.8bn to Rp278.1hn, with 14.8 per cent of

the advance coming from inter-national telephone revenues. for the whole of 1995. The company'e results came Indosat's first-quarter traffic figure was alightly skewed by the inclusion of telephone traf-fic at special rates between bordering cities, such as Batam

island, off Sumatra, and Singapore, which accounted for about 3m of the 134.7m minutes in total international traffic in the first quarter. Net of this figure, interna-

tional traffic grew by just over 15 per cent, which is consistent with Indesat's traffic growth

in slightly above market expectations, but there is still con-cern about the amount of market share Indosat is losing to Satelindo, a global system for mobile operators. It competes with Indosat in providing inter-national direct dial services, although Indosat does have a minority stake in the system.

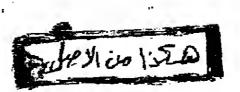
Indoeat estimated that underlying growth in international telephone traffic for the whole market was about 24 to 25 per cent, implying Satelin-do's market share galned between 8 and 10 per cent in the first quarter. Satelindo'a market share in

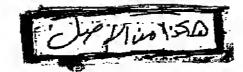
1995 is estimated to have been 7.7 per cent. Indosat's expectation is that by the end of this year Satelindo will have between 10 and 12 per cent of the market. Indosat is also selling 2.5 per

cent of its minority stake in Telkomsel, a GSM mobile phone operator in which PTT of the Netherlands recently acquired a 17.3 per cent bolding for \$304m.

It expects to raise between \$40m and \$50m to prepare fin-ancing of the new PCS/PCH -high frequency - cellular ven-

Meanwhile, Telkomsel's GSM service is due to be launched in Jakarta - the main market for GSM cellular services - in June this year. Indosat estimates Telkomsel's subscribers will rise to 120,000 at the end of 1996, compared with 55,000





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SDAY MAY 9 1996

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ongromerate reported 5 year, up from last years 0 19hn for the previous ng profit rose from 15th from 2513,33hn to

aimed to recapture lost market share with new marketing initiatives and a loyalty card. The group, knocked off top the indian private sector. net windly owned said pre-exceptional profits fell from £808m to £764m (\$1.15bn) in the year to March 9. Relief that the figures were not worse and the promise of a fightback helped the shares rise 15p to 372p after a long period of underperformance.

The centrepiece of the fightback will be a loyalty card, reversing the group's staunch opposition to the concept and acknowledging the successes achieved by Tesco and Safeway with their versions of the card. The group said it was

By Christopher Brown-Humes

strengthening management by appointing a chief executive of new businesses and said it would step up the conversion of its Texas DIY stores to its A credit card would follow. successful Homebase concept. Sainsbury warned trading "These initiatives suggest the remained "extremely competi-

group has regained some of the sense of direction which has J. Sainsbury yesterday been lacking over the last announced its first fall in year, said one analyst.

Marketing plans and loyalty card aimed at regaining market share

underlying profits in 22 years as a public company. But the supermarket group said it Sainsbury's market share has slipped from 12.6 per cent lo 12.5 per cent, while Tesco's has surged from 12.4 per cent to 13.9 per cent. While Tesco saw UK like for-

The group, knocked off top like sales rise 8.9 per cent last slot by Tesco in the last year, year, Sainsbury's sales climbed only 2.6 per cent. Tesco has gained a reputation for heing more dynamic and innovative in a mature market with its highly successful Clubcard attracting 8m users.

Mr David Sainsbury, chairman, admitted the group had made mistakes. He said it had not moved quickly enough to get out a loyalty card in the right form. The market was relieved that

Sainshury was attempting to regain market share with a loyalty card rather than cutting prices further. The group did not say how the card would work hut said it would be launched within two months.



tive" and expected no early improvement in its gross mar-gin, which fell 0.7 percentage points in the second half of last year. Like-for-like sales rose only 3 per cent in the opening weeks of the current year -

well below the 7 per cent achieved by Tesco. The group said it had not regained market share despite price promotions since January, but it had stabilised its position. Lex, Page 16

Royal Bank plans to increase its diversification

and Raiph Atkins

COMPANIES AND FINANCE: UK

Royal Bank of Scotland aims to make 20 per cent of its profits from new businesses outside its traditional banking and

insurance core by 2000. Mr George Mathewson, chief executive, announced the goal yesterday as the group reported profits up by 11 per cent at £301m (\$455m) before tax in the six months to March

The improvement was achieved despite a sharp fall in profits from Direct Line, the telephone insurance sales subsidiary. After a decade of growth, its profits fell from 245m to £5m.

Direct Line blamed bad winter weether, particularly in Scotland and the north of England. But it also said downward pressure on premiums had lopped £25m of its profit figures. Mr Mathewson predicted a "return to substantial profits in due course".

Despite the Direct Line set-back, Mr Mathewson said RBS could repeat its success in markets such as credit cards and talephone sales of mortgages

"We believe we can do well despite, and indeed because of, our limited market share. Companies with large market shares and high margins will find it difficult to compete with new entrants because of the damaging effect on their bot-tom line."

New businesses such as Direct Line's range of mortgages and deposit products sold over the telephone, the Ibos electronic payments network or a direct motor insurance venture in Spain contributed £20m

The traditional banking business provided the strong core to the first-half performance. Profits from UK banking rose 23 per cent to £246m, while the contribution from Citizens Financial, its US retail banking side, almost doubled to £97m.

LEX COMMENT

Whitbread

There may be few signs of a pick-up in UK consumer spending to drive profits at Whitbread's pubs, restaurants and hotels, but its aggressive capital expenditure programme is doing the trick instead. Returns on investment in new or refurbished pubs and restaurants significantly exceed the cost of capital, with pubs generating annual returns of between 15 and 17 per cent. Capex is due to rise from £345m to more than £400m this year, and this should

Share piles relative to the

drive profits further. Of course, Whitbread has led the rush to develop new pub concepts, and as competitors catch up, there is a risk that returns will come under pressure. But with consumers feeling the benefits of tax cuts and building society pay-outs, the outlook remains positive. Whit-bread should derive a third of profits from pure leisure husinesses this year, but the unfashionable brewing operations provided the unexpected cheer yesterday. Second half brewing profits grew by about 15 per cent, with prices to both pub operators and retailers finally stabilising. Carlsberg-Tetley is set to add to the surge of consolidation in brewing, so the outlook for pricing is increasingly favourable. Even so, Whitbread is trading at an 11 per cent premium to

the market average p/e ratio for the current year. This is roughly in line with Bass and Scottish & Newcastle, yet its profits growth is likely to be slower. S&N is pushing through cost savings from its Courage acquisition, while Bass's pub estate is in dramatic catch-up mode and the purchase of Carisberg-Tetley could further enhance earnings. Whithread's competitors look better value.

Panel attempts to clarify Lucas plans

By Tim Burt

The Takeover Panel yesterday tried to defuse the bid speculation over Lncas Industries by persuading the automotive and aerospace equipment manufacturer to issue a statement denying that its talks with Varity Corporation of the US could lead to a takeover of the UK

Shares in Lucas fell 61/sp to 227p after the company said its to prompt a bld by Varity, North America's largest brakes

manufacturer. Earlier this week, the two companies said they were in talks that could lead to a full merger or strategic combination of some businesses. Varity

The panel, however, warned Lucas it would impose an "offer period" on the company, forcing it to issue details of share dealings, if it failed to

issue a statement. Some analysts accused the panel of muddying the waters, with one claiming that yester day's statement would only confuse investors.

So far, the two companies have described the talks as pre-liminary and indicated that while they could lead to a full merger, they might also result in no more than a joint venture agreement on the brakes'

Lucas is one of Europe's largest manufacturers of foundation brakes. Varity, which formerly owned Massey Ferguson. and Lucas yesterday denied has a dominant position in that the US group had ever anti-lock braking systems in contemplated a takewer bid. The US.

Zeneca sells textiles colours to BASF

By Daniel Green

Zeneca is to sell its textiles colours business to BASF, the German chemicals and drugs company, for np to £150m (\$226.50). The deal completes the disposals of poorly performing businesses announced by Zeneca on March 7. The company said yesterday no further dispos-

The textile colours business had sales in 1995 of £202m and will transfer net assets

of about £65m to BASF. Zeneca had dis- agrochemicals and specialist chemicals. cussed the business with several European chemicals companies.

This includes sites at Ellesmere Port in

the UK, Jacarei, in Brazil, and a US warebouse, mixing and re-packing plant in Charlotte, North Carolina. About 780 Zeneca employees will transfer with the business.

Zeneca, which is best known for its pharmaceuticals, also has businesses in

It will be integrated into BASF's textiles and leather dyes division.

The acquisition will move BASF into third place among the world's textile dye producers. The addition of Zeneca's products will expand BASF's business in dyes for cellulosic fibres in particular.

The payment of up to £138m in cash depends upon, among other things, a stock count, plus net working capital valagricultural sciences, such as seeds and ued at £11.9m at completion of the deal.

Weak US hits shares in Tate & Lyle

By Roderick Oram,

A warning from Tate & Lyle yesterday that increased US corn processing capacity and surging corn prices would dent annual profits triggered a sell-off in its shares and cuts in

Sandi Arabia, he has built a

group which has become an

influential investor on world

Mr Olayan started his career

markets :

last year's £311m (\$470m) against previous forecasts of flat profits. Investors were also disappointed that Tate lifted its interim dividend by only 6 per cent to 5.3p. Pre-tax profits for the 26

weeks to March 30 rose 10 per

profits would fall £20m short of and sweeteners were offset by rising profits from Europe and emerging markets.

Staley, Tate's US corn starch and sweetener producer, had hedged all lis corn supplies for the rest of the financial year to September, Sir Neil Shaw, chairman said. However, the

in first-half working capital and a £284.9m rise in net debt to £915.8m.

Analysts suggested, however, thet competitive pressures from excess capacity rather than the price of corn was the real threat to profits. Sweetener prices are set in industry-wide annual negotiations led by Tate and the three other main producers.

Whitbread plans further spending

By Roderick Oram, Consumer Industries Editor

Whithread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector. The brewing and leisure group reported yesterday an 11 per cent increase in pre-tax profits to £283.1m (\$428m) for

the 53 weeks to March 2 All

divisions contributed to the

growth which was slightly

ahead of forecasts. Roughly half the profits rise came from organic growth and half from the acquisition of Marriott hotels in the UK and David Lloyd sports cinbs.

Capital expenditure, excln-

ding acquisitions, should rise from £345m to "a little over £400m this year" Mr Peter Jarvis, chief executive, said. Pub profits, for example, benefited from "our strategy of new, large, contemporary outlets".

Whithread Inns, its managed pubs, lifted operating profits 13 per cept to £129m within which food profits rose 20 per cent. On average, one of its pubs sells about £100,000 of food a year compared with an industry average of £59,000. Total turnover including drinks averaged £384,000 against an industry average for managed pubs of £359,000.

"Everybody is piling into food so we'll have to work hard to keep in front," Mr Jarvis

The risk behind Olayan's bets

Roula Khalaf and Samer Iskandar analyse the National Grid deal

ombine Warren Buf-fett's long term invest-ment outlook with ing to equity derivatives spefett's long term invest-ment outlook with George Soros's appetite for risk and you get an idea of what Saudi billionaire and financier Suliman S Olayan is about Mr Olayan made headlines last week when he entered into a derivatives transaction with HSBC James Capel to hedge the stockbroker's risk in the purchase of 210m National Grid shares from Hanson, the industrial conglomerate.

The move raised questions about foreign intrusion into the UK utilities sector and led to speculation about a possible takeover. But what lies behind Mr

Olayan's decision to invest in the Grid is typical of the way this contrarian value investor

Mr Olayan is known as a long term friendly investor who looks for sectors he understands and for companies with stable businesses and management, but which are undervalued by the market. He has increasingly devel-

oped the reputation of an

investor who resorts to sophis-ticated financial engineering to take big gambles on stocks he At the 1921/sp a share that Capel paid Hanson, the Olayan Group believes the stock to be undervalued and the risk of a drop in the price minimal. And

instead of buying the stock outright, it has used deriva-tives to enhance its return. Neither James Capel nor Olayan will comment on the details of the transaction but

The aim is that James Capel and Olayan "share the upside". The stockbroker is believed to have sold an over-the-counter call option, which allows its

Suliman S Olayan is known

as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements

holder, in this case the Olayan Group, to benefit from a rise in National Grid's share price. Such options are often leveraged, so holders receive a multiple of the profit they would have achieved by buying the underlying share.

In order to underwrite Capel'e downside risk from owning the chares, equity derivatives traders said this deal probably involved Mr Olayan selling put options to Capel – in effect agreeing to bear the loss if the stock drops below a predetarmined level.

The etructure of this arrangement reflects both Mr Olayan's appetite for risk-taking and his hullish expectations on National Grid. Furthermore, Mr Olayan seems to have accepted a substantial downside risk, showing that he considers this occurrence

nearly 60 years ago as a truck dispatcher for Aramco, the Arahian American Oil Company. He then set up a company to import oil equipment and won a contract for part of Aramco's first big trans-Arahian oil pipeline. Today, with a fortune estimated by Forbes Magazine at \$3bn he is Bechtel's joint venture partner in Saudi Arabia and his businesses include licences for Col-gate-Palmolive, Coca-Cola, Kimberly-Clark and Burger

But his operating businesses are dwarfed by his invest-ments, which include an estimated \$300m-plus portfolio on the Saudi stock exchange.

Mr Olayan seems to have a penchant for financial services stocks. As a former bank chairman in Saudi Arabia, be knows the business well. When the

unlikely.
The 77-year-old Mr Olayan
has come a long way. From
middle class beginnings in stocks in 1991. Mr Olayan chose to increase his stake in Chase Manhattan to 5 per cent He made headlines in 1988 when he provided \$600m in bridge financing to facilitate the merger of First Boston with Credit Suisse First Bos-ton. Today he also has stakes in JP Morgan and Transamer-

Mr Olayan knows a thing or two about the energy sector, having been an investor in Mobil Oil and Occidental Petroleum. He has made clear that he has no intention to gain control of National Grid. What his group sees in the Grid is mainly a stock market play: it views the UK transmission company as an undervalued utility stock with a very good yield and more than 7 per cent forecest annual dividend

Olayan is believed to heve been eyeing the Grid for a while, but to have balked at the price at which Hansoo was peddling the stake last year. Olayan has taken an interest in the ahares through other derivatives transactions in the past few months. HSBC is the Olayan Group's

main banker and last week was able to agree a deal with Hanson whereby it would huy the shares at 192%p, about 3 per cent below the then market price. James Capel is the owner of the shares and even if it sold them, as long as the derivatives contract has not expired, Olayan would still maintain its economic exposure to the company.

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Great Western Sale of **Great Western Trains** Company Limited to management backed by FirstBus plc and 3i Group plc



Sea Containers Limited

GATWICK EXPRESS Sale of **Gatwick Express**

National Express Group Pic

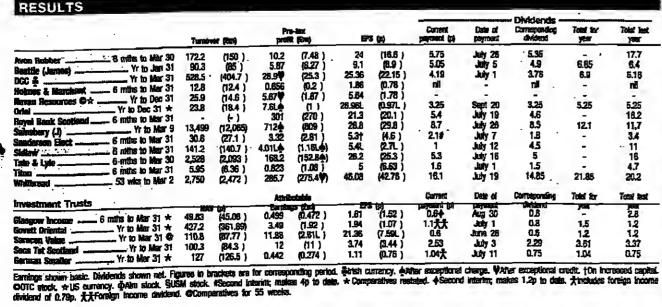
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Airport belt in the bag

omputerised baggage handling systems have had a bad name since the 1993 opening of Denver airport was delayed by serious glitches with its baggage

technology. But Matflex, a French handling equipment manufacturer, believes it has designed an electronic handling system that will be more reliable than its predecessors. Its Telebag system is going to be installed at Jersey airport next year.

The Telebag system uses indi-vidual, tow-slung carts – known as "destination coded vehicles" for each passenger's luggage.
The electronically coded carts run on an aluminium track using linear motor technology at a speed of up to 5m per sec

The baggage is loaded on to the cart near the check-in desk, where the cart is coded with information about the passenger and the flight number. The carts are guided by a management control system linked to process logic controllers on the track, which direct them to a point where they can be loaded on to the aircraft.

Jean Sebitlaud, technical director of Matflex, believes that breakdowns will be rare because the system bas onty seven moving parts. The system should not grind to a halt even if a cart breaks down because a functioning cart would be able to push the faulty one out of the

Jersey airport believes that its system of 40 carts, which will cost £750,000, will be 30 per cent cheaper to run than a conventional conveyor belt system.

It will cut costs and energy consumption because the num-ber of carts can be tailored to demand. "We want to use the best system available that can meet quite different demands at different times," says Michael

Lanyon, airport director.
If the Matflex system lives up to its promise, the airport should be able to transfer bags more quickly, cheaply and accu-

Vanessa Houlder

t Siriol Productions' animation studios by the docks in Cardiff, the computers ara no longer switched off at night. Instead, a program takes advantage of the unused computar power on the company network to colour and shade the newly drawn cartoons and intro-duce special effects.

The racently installed software

saves money and time. When this painstaking, time-consuming, work was done by hand, it was one of the slowest parts of the cartoon production process. By computerising the process, costs have been cut from \$2,000 per minute of the cartoon to £800 per minute; the time taken to make a 10-minute cartoon has been reduced from months to weeks.

What makes this example of computerisation interesting is its speed. A conventional computer program would run extremely slowly since animation - which often involves 500 images per minute - requires

vast amounts of processing power. But in the case of Siriol, its eight Pentium computers are linked together in parallel in a network. The software divides the workload so that the computers work three to four times faster together than they would separately.

This ability to work in parallel is the result of a European Commis-sion-sponsored collaboration between Siriol, Perihelion, a software company, and Cambridge Animation Systems, the owner of the original software called Animo. At a cost of £500,000, it "ported" or recast the original software so it would run on a parallel system.

All three companies are pleased with the results. Lynne Stockford of Siriol Productions describes the savings that have resulted from the Animo program as "a revelation".
"Going parallel on cheap computers really is the answer," says Peter Stansfield, consultant to Cambridge Animation. Since getting involved in the project, it has sold several bundred of the Animo systems to the Dreamworks and Warner Bros

The European Commission, which half funded the project, is also enthusiastic, treating the Animo program as a showpiece in its Ecu20m (£16m) Europort project. This project, which is part of the Esprit programme on information technology, is designed to foster greater availability and take-up of programs that can run in parallel.

Its enthusiasm for parallel processing is based on the idea that it is a relatively cheap method of sec-uring high-performance computing. Parallel processing machines can be made by linking dozens, sometimes even thousands, of inexpensive industry-standard microprocessor chips. In certain cases, such as that of Siriol, it can be achieved by the even cheaper approach of linking



Going parallel

A cut-price version of supercomputing is within reach, explains Vanessa Houlder

PCs or workstations in a network. The Commission argues that supercomputing is no longer merely the domain of grandiose projects such as nuclear physics and long-range weather forecasting. A cut-price version of supercomputing is within the reach of even small

businesses, it says.

The Commission believes that its role is to make software for parallel processors more widely available. According to Adrian Colbrook, a principal at Smith System Engineering which is managing many of the Europort projects, it is trying to tackle the problem that most available industrial or commercial software was written many years ago and cannot exploit the capabilities

of parallel processors.

Recasting programs for parallel processing machines is time-consuming and expensive. As a result, there is deadlock. Application developers argue that there is no enduser market for parallel code, and end-users feel there are no applications to run on parallel architec-

The Commission's solution to this conundrum bas been to produce commercially usable parallel code that would demonstrate the benefits of parallel computer technology for a wide range of industries.

It chose 38 programs to be ported They were tackled by project teams that included the owners of the program, the parallel software experts, and end-users including ABB Robot-ics Products. Agip, Bayer. ICI, Unilever and Zeneca. The resulting code has been tested and compared on the whole range of parallel machines available, from workstation clusters up to massively parallel

Parallel processing is not the answer to all computing problems. Tha type of application involved in Europort typically involves heavy, mathematical computation, and moreover lends itself to being split into discrete tasks, which have min-imal need for interaction during

processing.

Applications range from relatively traditional uses for parallel processing such as fluid dynamics and structural mechanics to less common ones such as earth observation, radiotherapy, network simulation and drug design. For example, E. Merck, the German pharmaceutical company, Parsytec, the manufacturer of parallel computers and the European Molecular Biology Laboratory worked on porting "MaxHom" software. This technology searches protein databases for information that relates the sequence of amino acids (chemical units) in a newly discovered protein to known protein structures. Thus, it allows researchers to build mod-els of the three-dimensional shapes of protein molecules. Now that the software can run in parallel, it delivers answers to complex searches in minutes instead of sev-

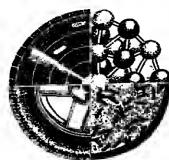
But the Commission's role is controversial. Its record in promoting supercomputing bardware in Europe has largely been unsuccessful. Some critics believe that its efforts at promoting parallel pro-cessing software will at best, be an irrelevance.

Jane Doorly, director of systems software and services at Dataquest Europe, the research group, suspects its work is unnecessary, "Most of the major software codes have been ported, or are in the throes of being ported," she says.

Furthermore, she does not believe that companies need to be convinced about the merits of parallel processing. "Most users already know the benefits of parallel systems," she says,

But those involved in Europort disagree. Agnes Bradier, a project officer, believes that the benefits of parallel processing could reach a much wider audience. "We are taking massively parallel processing out of the laboratories and putting it on the desktops of the small- and medium-sized enterprises," she

Worth Watching · Vanessa Houlder



Lefty' gene points way on asymmetry

Why is the heart on the left side of the body? Until recently, there have been few clues to the molecular basis of this kind of

asymmetry. In Nature magazine today, Japanese scientists at the Tokyo Metropolitan Institute of Medical Science and Osaka University describe a gene called "lefty" that could be responsible for laft-right asymmetry. It appears to produce a bormone that guides the formation of tissues and organs by its concentration gradient.

fashion in the mouse embryo before the first signs of asymmetry emerge. In mutant mice, where the organs are laid ont in a mirror-image of the usual plan, the pattern is reversed. Nature also publishes reports from scientists at Harvard University and the National Institutes of Health who have

The "lefty" hormone appears in

a transient and asymmetrical

described another gene, "nodal". It too appears to have an important role in determination of left-right asymmetry. Tokyo Metropolitan Institute of Medical Science: Japan, tel 68797994; faz 68789846.

Optical switch's potential for storage

The Georgia Institute of Technology is working on a light-activated optical switch that could ultimately be the basis of a

miniaturised data storage system Previous attempts to make optical switches have used irreversible photochemical changes to store information. meaning that data could be written to them only once, But Georgia Tech can make the system rewritable, which could make the switches valuable for storing computer data. The switch is based on left- and

right-handed molecules which are

affected differently by varying forms of polarised and unpolarised light. The system, which is many years away from a practical application, would be able to store data in three dimensions, allowing large amounts of information to be nacked into a small space. Georgia Institute of Technology: US. tel 4048943444; fox 4048946983.

Bicycle shed's high-tech treatment

A high-tech, space-saving bicycle shed is to be built at a railway station at Krefeld, near Dusseldorf. The Fraunhofer Institute for Material Flow and Logistics has adapted warehousing technology in its design. The bicycle owner takes a ticket from a machine that opens the shed. The bicycla is secured using a wheel clamp and carried on a carousel to a storage level. The system can store 3,000 bicycles on several levels.

Fraunhofer Institute for Material Flow and Logistics: Germany, tel 2319743217: fax 2319743336.

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Geographic data more available

Many businesses find computerised geographic information systems helpful when analysing data by locality or region. But making full use of Gis often requires specialist programming skills. Kingswood, a UK Gis specialist, and Alsoft, a French developer, bope to bring Gis to a wider audience by launching the UK version of Geo Concept, a geographical information system that can be linked to a company's existing databases and spreadsheets without expert programming.

Kingswood: UK, tel (0)181 994
5404; fax (0)181 747 8047.

Keeping tabs on food temperatures

Food retailers will be able to review the temperature of food on its journey to the supermarket with an electronic system. The Temperature Tempit Logging system, developed by J. Sainsbur, and Industrial Electronic Automation, consists of a plastic tag that records temperature data which can be linked to a PC and read on arrival. J. Sainsbury; UK, tel (0)171 921 6000; fax (0)171 921 0156.

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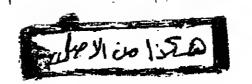
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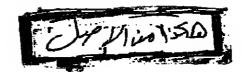
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COMMODITIES AND AGRICULTURE

LME acts to limit impact | Crop scouts view America's bitter harvest of copper market squeeze

Mining Correspondent

THURSDAY MAY 9 194

Vanessa Houlde

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The London Metal Exchange board took action yesterday to limit the impact of a technical squeeze rapidly developing in its copper market. Traders suggested that US hedge and commodity funds were on the wrong end of the squeeze and were likely to suffer big losses after going short - selling metal they did not own in the expectation that they could buy later and make a profit.

The LME imposed a limit on the cost of carrying forward a short position for one day. From today holders of short positions who are unable to deliver copper must pay a penalty of 1 per cent of the previous day's official settlement price. Yesterday'e settlement

price was \$2,838 a tonne. metal) had risen to \$320 a Before the LME's action it was tonne. costing about \$2 a tonne to carry forward a short position for a day but this increased to \$3 shortly afterwards. Analysts were surprised by

the intervention. One suggested: "We can only assume that Mr King [Mr David King, the LME chief executive] saw something in the confidential daily reports from brokers which alarmed him and the action was to pre-empt a disorderly situa-

They pointed out the board had not taken action at times when the copper squeeze had seemed to be more severe - for example in December when the backwardation (premium for copper for immediate delivery compared with three-month

Last night the backwards-

tion was \$147.75 a tonne after cash copper closed up \$53 at \$2.845.25 While three-month metal was \$2,897.50, up \$34.50. Mr King refused to be drawn about the reasons the board acted after its scheduled mouthly meeting. He did refute suggestions that the exchange had "baled out the shorts." He said: "We have never baled anybody out and we will not

while I am chief executive". Analysts said a strike at Chuquicamata in Chile, the world's biggest copper mine, problems at RTZ-CRA's new Bingham Canyon smelter in the US and low stock levels were combining to make consumers nervous about conner

> plant - to recover was deemed Kansas, which usually pro-

the length and breadth of Kan-

sas last week, seeking evidence

that the state's beleaguered

wheat crop might have the

potential to recover. Crop scouts hoped to find that

wheat in at least the northern

portions of the state had

escaped the havoc wrecked by

six months of drought and

Instead, said Mr Ben Hand-cock, President of the US

Wheat Quality Council, and a

farmer who has been looking

at wheat all his life: "The situ-

ation was the worst I've ever seen, and far worse than the

poor crop of 1989. . . We expected to find a lot of bad wheat,

but personally I didn't believe it was this bad. It is."

Damage was more broadly

distributed than agronomists

had expected, and the potential

for the wheat - a resilient

fickle winter weather.

lysts who toured the state last grains, like maize, as well week gave widely varying esti-

everal dozen of the nation's hard red winter bidding up harvest-time prices weather. As of Sunday, spring assistance. Most were required nation's top wheat, is facing its smallest by more than 20 per cent and wheat planting was only 22 per to purchase some level of crop experts farmed out across crop since 1963. Although ana-racheting up prices for other cent complete nationwide, insurance last year by the govcrop since 1963. Although ana-racheting up prices for other cent complete nationwide. rains, like maize, as well. compared with a five-year Until recently the rally had average of 52 per cent at this

> 'The situation was the worst I've ever seen, and far worse than the poor crop of 1989.

> > been considered a "weather point in the season."

The damage is more extensive than agronomists had expected, writes Laurie Morse

mates of a potential harvest the crop has just emerged from dormancy, and won't produce grain for another month - the consensus estimate was a mere 170m bushels, far below last year's rather poor production of 286m bushels, and less than half the state's 5-year average of 367m bushels. The Kansas wheat tour

served to confirm what the US Department of Agriculture has been saying in regular weekly bulletins since early March, that more than half of this year's US winter wheat crop a bread making wheat popular for export - is in poor condition. Grain traders have been duces three quarters of the reacting to those reports by

market", with traders betting that rain could improve the harvest. Now, however, tour participants say that farmers will ebandon millions of acres of wheat fields and if rains do come in the next few weeks the improved moisture will simply prompt growers to rip up marginal wheat stands to plant summer-growing sorghum. Weather will continue to rule wheat prices in Chicago

because marginal production in the southern plains could still be offset by a bumper crop of spring-planted wheat in more northern states. However, spring wheat seedings are being slowed by rain and cool

The USDA will release it own first estimate for US winter wheat production tomorrow. Market analysts expect the agency to sharply reduce its forecast for harvested acres, though many do not expect the USDA to peg Kansas produc-tion below 200m bushels just yet. In the wheat production equation, they say, the southern plains is just how many of the 11.6m acres of winter wheat planted last fall will

For winter wheat growers, the onset of new farm legislation this year will almost certainly preclude special disaster tors Services in Chicago.

ernment. "Its going to be another lean year," says Mr Terry Kohler, manager of the Farmers Co-op Elevator in Garden Plain, in South Central Kansas, "the insurance will just about cover people's planting costs, but nothing more." in Kansas cattle rearing usu-

ally helps round out the farm budget, but the business has been unprofitable this year. Wheat makes up only a tiny portion of the cost of a loaf of bread or e box of breakfast cereal, so economists are not predicting eignificant food inflation as a result of low worldwide grain stocks and historically high prices. How-ever, countries accustomed to using low-quality wheat as animal feed will be badly affected by short world wheat supplies.

"Countries in Europe and Asia that use low grade wheat for

feed will be first affected," says

Mr Warren King, a wheat mar-ket analyst for Cargill Inves-

Cocoa body predicts surplus

The first cocoa production surplus in five years was predicted yesterday by the Inter-national Cocoa Organisation. The organisation, which rep-

resents both consumers and producers, forecast a small surplus of 10,000 tonnes this year, ending a four-season sequence of production deficits. In December it forecast a deficit of 80,000 tonnes for this year.

Its prediction was based on expectations of dramatically higher production in West Africa in the current year, ending September, which outweighed forecasts of record consumption.

The London-based ICCO said production had been revised up by 119.000 tonnes from its December forecast to 2.66m tonnes. · "The overall increase

reflected mainly better than anticipated crops in the West African region, particularly in the two leading cocoa-producing countries," it said. Output from Ivory Coast, the

	Net Crop	Grindings	Surplus/ Deficit
1995-06	2.637	2,627	+10
1994-95	2,308	2,532	-223
1993-94	2,443	2.493	-50
1992-93	2,358	2,407	-49
1991-92	2,255	2,322	-67
1990-91	2,482	2,335	+147

world's biggest producer, was forecast at 1.05m tonnes, op 100,000 tonnes, while Ghanaian production was now expected to be 375,000 tonnes, or 45,000 tonnes higher than the previous forecast.

The forecast for Nigeria was up 5,000 tonnes to 145,000 tonnes. But the ICCO lowered its forecasts for Malaysia and

At the same time, cocoa bean

grindings, which represent consumption, was pnt at a record high of 2.63m tonnes, an increase of 27,000 tonnes over the December forecast.

Indonesia.

In Europe, the organisation predicted that the Netherlands and the UK would each use 10,000 more tonnes than previously forecast at 380,000 tonnes and 170,000 tonnes respec-

Grindings in Ivory Coast and Ghana were also expected to be The ICCO said total stocks

overhanging the market excluding its own declining buffer stock - would be 1.11m tonnes at the end of the year. This was the equivalent of just over five months of projected annual consumption.

New Zealand dairy farmers set for bumper year

MEAT AND LIVESTOCK

M LIVE CATTLE CME (40,000lbs; conts/lbs

E LIVE HOGS CME (40,000lbs; cents/lbs)

PORK BELLIES CME (40,000/bs: cents/bs)

Strike price \$ tompe

E ALUMNUM

COPPER

+2 89,630 89,000 +2 86,530 85,900 +2 84,625 84,000

By Terry Hall in Wellington

New Zealand's dairy farmers can count on handsome returns this season - helped by exceptionally good late season weather, which has led to bumper production.

The New Zealand Dairy Board estimates that the average dairy farmer will receive a record payout for this season. of around \$NZ4 (US\$2.75) per kilogram of milk solids. This is 60 cents more than last year, which was also considered "good".

The latest projection follows estimates by the board that its total payout this season will be between \$NZ3.55 and \$NZ3.60 a kilogram. On top of that local dairy companies pay "top-up" amounts. While these vary, the average last season was 40 cents a kilogram. The board

23 1,061

774 503

■ COCOA LCE (E/tonne)

■ COCOA CSCE (10 tonnes; \$/tonnes)

M COCOA (ICCO) (SDR's/tonne)

1968 +20 1967 +28 1945 +25 1939 +22 1912 +25 1879 +24

COFFEE (ICO) (US cents/pound)

WHITE SUGAR LCE (S/tonne)

371.8 337.3 328.8 327.9 327.4 328.8

■ COFFEE 'C' CSCE (37,500lbs; certis/lbe)

130.00 +2.35 131.03 127.00 250 758 123.75 +2.35 129.70 125.40 3,438 12,734 127.00 +2.00 126.50 125.50 579 5,109 123.50 +2.00 126.50 124.40 186 2,560 123.50 +1.75 124.00 122.25 31 778 122.00 +1.50 122.25 122.50 1 500

+6.9 371.5 364.5 +4.8 387.0 332.5 +4.7 328.5 327.9 +3.6 328.5 325.0 +3.6 328.2 328.2

10.87 +0.25 10.87 10.57 3,950 57,596 10.78 +0.18 10.83 10.58 882 34,950 10.80 +0.20 10.84 18,00 702 24,57 10.75 +0.18 10.89 10.55 422 6,521 10.69 +0.18 10.69 10.50 63 3,968 10.62 +0.20 10.62 10.49 23 1,556 6,521 10.49 23 1,556

COTTON NYCE (50,000lbs; cents/lbs)

will announce its final pay-out decision at the eod of this month.

The financial bonus has come from unexpectedly high production and a combination of skilful international selling and good markets, which has ensured all products will be

The board estimates that production will hit a record of 780m kg. Until last month it had projected 1995-96 seasou prodoction at around the 760m kg mark.

Board spokesman Mr Neville Martin said this week that farmers had been helped by excellent grass growing conditions throughout the summer and into the autumn - which more than made up for a difficult spring last year, Production had been especially good in the top half of North

1072 439 1073 1058 38 565 1109 +4 1111 1062 3,689 24,627 1128 +2 1129 1110 2,310 45,174 1081 +2 1036 1021 1,346 25,278 1024 -3 1032 1016 654 3,446

1368 55 137 1362 2,739 31,625 1378 819 18,312 1392 268 17,517 1402 229 13,911 1435 100 4,967

1940 146 1,830 1935 2,052 16,780 1927 984 5,235 1925 389 2,985 1897 112 1,787 1875 23 692

110.16

Island - in the Walkato, North-Martin. land and the Bay of Plenty. It "There are a lot of imponderhad been less good in the lower

be abandoned.

ables here. We don't know to half of the island, including Taranaki and the Manawatu. what extent the British will be Looking ahead, Mr Martin able to crank up milk production after the culling prosaid that the feeling was that farmers might face a modest gramme and in any case European dairy imports are covered by quotas." However the disfall in pay-out in the coming season in spite of expectations of higher production as increasing numbers of farms ease had the potential to mean that Europe would export less dairy products - which could were being converted to dairyopen greater prospects for New ing, especially in the lower half Zealand. "No one is expecting of the North Island and in Southland. There had been steady rises in international a spectacular improvement in markets overnight, although it could lead to gradual benefits prices, he added, and the New Zealand industry was confor us." cerned at a possible market A board study into how the

reaction. Devaluations in the General Agreement on Tariffs important Venezuelan and and Trade settlement func-Mexican markets had hurt tioned in its first year showed it had led to upward pressures The board was adopting a on prices. Mr Martin said the

disease" in Britain, said Mr new opportunities including slightly better access to Europe and the US.

"We are selling cheeses that have not been seen before in the States and that are tailored for American tastes," he said. Americans were used to consuming cheese produced from grain-fed beef, rather than grass-fed, and the board had tailored fresh natural cheeses meet that demand. Up to now New Zealand had supplied processing grade cheese to the US.

The Gatt settlement had allowed the board to start selling Gouda cheese to the Netherlands - "a real coals to Newcastle story that one!" and a specialist New Zealand Emmatahaler cheese was also meeting good demand in Europe, In addition a new market in Portugal was being

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE ALUMENBUM, 96.7 PURITY (5 per lonne) - ---1641-42 1620.5-21.5 1636.5/1634

AM Officia

Kerb close Open int. Total delity turnover 1672-3 ALLMINRUM ALLOY (5 per tonne) Close Previous High/low AM Official 1408-12 1365-70 1404-5 1400-10 Kerb close Open Int. Total daily turnover ■ LEAD (\$ per tonne) 869-71

854-55 852.5-53.5 Close Previous High/low AM Official 872-74 868/867 866-67 Kerb close NICKEL (S per torne) 8475-85 8265-76 8390/8385 8560-65 8350-55 8830/8420 8470-75 8585-805 Kerb close

TIN (5 per torne) 6595-605 6595-605 Close Previous High/low AM Official 6610 M ZNC, special high grade (\$ per 1081.5-82.0 Close Previous High/low AM Official 1065.5-6.5 1078-79 1085/1077.5 1055-56 Kerb close Open int. Total daily tur N/A N/A R COPPER, grade A (S per tonne 2845-50 2792-97 2840/2835 2007-98 Close Previous High/low AM Official Kerb close Open int. Total daily turnover

ng £/\$ rate: 1.5161 HIGH GRADE COPPER (COMEX
 Sett price
 Day's price
 High text
 Low
 Vol
 lext

 129.70
 +1.00
 130.70
 128.90
 1.827
 7.21

 127.65
 +0.55
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 438
 2.954

 126.45
 -0.55
 128.50
 124.50
 8.268
 28.475

 122.95
 40.25
 123.30
 123.30
 5
 7.40

 128.96
 40.82
 128.90
 13.90
 50
 4.93
 _0.36 121.30 119.90 _0.45

11,314 83,241

M LME AM Official 2/\$ rate: 1,5125

2830-33

PRECIOUS METALS M LONDON BUILLION MARKET

\$ price 393.80-394.20 393.90-394.30 Close Opening Morning fix 260.418 489.701 260.732 488.170 393,65 260,418 395.60-396.00 393.60-394.00 cus closa 393,40-393.80 Loco Lda Mesa Gold Lending Rates (Vs USS)

3 months US can equiv. 548,25 554,85 Silver Fix Spot 3 months 6 months 561.55 675.10 372.05 381.55 £ equiv. 259-261 \$ price 393-396 **Gold Coins** 405,40-407,95 83-96 61-63

Precious Metals continued M GOLD COMEX (100 Troy oz.; \$/troy oz.) 388.4 -0.8 -0.9 394.4 23.572 90.020 387.5 -0.8 400.5 587.1 3,712 25,95 400.2 -0.7 402.5 400.1 382 5,813 402.9 -0.7 405.6 402.6 3,594 28,859

-0.6 406.2 405.4 275 5,225 31,915.201,442 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 408.9 -1.2 411.5 408.1 1,768 19,612 411.2 -1.2 414.5 410.5 120 3,624 414.0 -1.2 416.0 416.0 46 955 418.7 -1.2 - - 2 1,318 PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 135.70 ±1.30 137.50 135.50 788 4,558 136.85 =1.30 138.50 138.25 308 3,000 137.35 =1.30 138.00 139.00 120 558 M SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) -4.9 580.5 548.0 40 232 -5.0 580.0 530.0 2 3 -5.0 585.0 545.5 16,567 85,853 -5.0 580.0 581.0 247 18,843 -5.0 588.5 558.5 211 8,589 -5.1 578.0 572.0 0 3,580 -5.1 578.0 572.0 0 3,580

19,161 97,372

ENERGY M CRUDE OIL NYMEX (42,000 US galls. \$/barrel) 21.23 20.97 45,817 90,537 20.22 20.02 23,757 73,429 19.48 19.33 9,248 51,430 18.04 18.96 63 77,475 18.70 18.96 603 16,437 18.70 18.60 903 16,437 92,127 431,086 -0.02 21.23 20.97 4 -0.03 20.22 20.02 2 +0.06 19.48 19.33 1 +0.05 19.04 18.89 +0.09 16.70 18.96 CRUDE OS. IPE (\$/barral)
 Latest
 Bey's price change
 Fligh law
 Low
 Vol lat

 19.30
 -0.06
 19.68
 19.30
 13.899
 43,660

 16.44
 +0.10
 18.51
 18.25
 10,867
 70,910
 +0.110 18.51 18.55 10,500 70,5710 +0.114 17.55 17.50 1,954 22,561 +0.13 17.59 17.46 752 12,538 +0.12 17.41 17.30 1,946 7,954 +0.09 17.25 17.22 764 4,518 29,980 197,312 HEATING OIL MYMEX (42,000 US gafa.; c/US gafa.) 52.0 +0.41 55.0 54.25 10.626 22,732 52.65 +0.27 53.15 52.20 4,619 18,314 52.35 +0.33 52.50 51.80 32.05 13,008 52.65 +0.33 52.55 52.60 1,842 7,559 53.25 +0.38 53.50 53.15 1,507 4,332

+0.43 54.00 53.80 1,108 4,265 26,778 98,044 166.75 - 169.00 168.25 5,818 165.00 +0.25 166.00 164.25 5,355 5,618 7,768 5,355 14,927 1,359 8,830 163.50 - 164.00 163.00 162.25 - 163.00 161.75 162.25 -0.25 162.25 162.00 813 6,480 95 3,318 85 1,969 -0.50 163.00 162.50 MATURAL GAS MINEX (18,000 mailin; S/minilin) 2.205 +0.016 2.225 2.180 14,034 28,029 2.340 +0.017 2.260 2.230 6.634 23.096 2.230 +0.025 2.235 2.215 1.850 16.505 2230 +0.025 2235 2215 1,850 16,505 2,190 +0.020 2,190 2,175 1,440 14,732

MYMEX (42,000 US galle.; c/US galle.) Algh Low +0.19 80.50 58.05 13,335 32,420 +0.28 65.60 64.30 4,743 18,671 Jest Jack Aug Sep Oct You Total 55.60 64.30 4.743 18.871 61.90 60.90 1,823 13.401 58.70 58.50 839 3.378 - 14 1,331 53.90 53.65 11 1,027 +0.22 - 53.90 53.65

GRAINS AND OIL SEEDS WHEAT LCE (E per tonne)

129.90 -0.50 131.00 139.00 23 478 Mag 132.00 -0.50 133.25 132.00 115 1,650 Jed 116.55 - 976 Sag 118.15 +0.85 118.25 117.45 335 8,014 Ded 119.90 +0.40 120.25 119.50 28 985 Mar +0.50 122.00 122.00 WHEAT CBT (5,000bu min; cents/60to bushel) 884.00 +16.00 885.00 645.00 125 701 581.00 +20.00 581.00 573.00 11,750 58,462 585.00 +20.00 585.00 569.00 2,035 14,695 583.50 +29.00 583.50 576.00 3,198 16,373 586.00 +20.00 586.00 577.00 134 1,578 520.00 +72.50 527.00 527.50 29 145 M MAIZE CBT (5,000 bu mir; centa/56b bushel) 500,75 +15.50 502.50 486.75 3,000 7,535 500.75 +15.50 500.50 498.75 3,000 7,335 474.75 +12.00 474.75 453.50 49,005 148,025 381.75 +11.00 382.75 580.00 8,500 62,387 340.75 +6.50 341.50 385.00 23,112.137,587 346.00 +6.00 346.50 341.00 1,262 15,327 348.00 +4.75 348.00 345.50 128 1,732 78,077.380,394 M BARLEY LCE (2 per tonne) 116.50 +0.50 118.00 118.00 110.75 - - - - - - 112.00 +0.50 111.00 111.50

819,00 +8.50 822,00 815,00 5,223 3,721 825,50 +7.25 831,00 818,00 29,451 78,756 824,50 +8.00 822,50 818,00 1,310 11,404 801,50 +7.00 805,50 787,00 485 6,344 789,25 +7.00 793,50 783,50 8,785 72,066 795.25 +8.25 798.50 790.50 135 6,731 SOYABEAN OF CET (50,000 be: certs/b) 77.90 +0.20 28.05 27.84 3.568 2.912 28.24 +0.21 28.49 28.10 8.547 54.520 28.39 +0.19 28.65 28.35 632 10.998 28.52 +0.22 28.75 28.48 1.050 4.922 28.53 +0.21 28.87 28.62 111 3.910 SOYABEAN MEAL CRT (100 tons; \$/ton) +2.9 250.2 247.7 3,345 3,318 +2.4 254.0 250.7 12,713 52,852 +2.6 253.8 251.2 1,290 11,708 +2.6 269.5 240.0 566 7,118 +2.1 265.3 244.0 74 3,259 +2.0 245.6 243.2 1,210 18,222 18,408 57,139 ■ POTATOES LCE (E/tonne

128.5 225.0 83.5 110.0 128.5 -1.5 130.0 118.0 = # FREIGHT (BIFFE) LCE (\$10/index point) 1400 1305 胡 **FUTURES DATA**

All futures data supplied by CMS. 1,117 11,580 2.230 +0.012 2.235 2.220 Open Yoi int

Nuts and Seeds
Prices from Kanido Group; US\$ a tonna. Irgnien pistachios 28/30 raw (in shell) naturally
opened tround; 1985 crop 3,500 CPR/PCT
MEP, sesy. US almonds shelled NPS 20/22
1965 crop availability short; first new crop
estimate due after Californian Almond Board
constitut on May 9, a vice kine is 6,500 EAS estimate due after Californieri Africad Board meeting on May 9 – price idee is 6,500 FAS California. US wainuts LHP 2014 1985 crop at 6,200 FAS California. Indian cashews raw: 1995 crop, W-320, 6,150 sport Europe – alight increase from origin at 6,550 CFR for Indian 1996 crop. Turkish hazainut kemala, 13/15 standard 1s, 1995 crop, 9,100 FOB MEP; new crop at 3,200 FOB MEP. Turkishapricota No. 4 1986 crop at 2,550 FOB MEP. Chinese pine rut kemala; Chinese defaulting on contracts following price increase from 4,500 to 6,500.

84.40 -0.80 85.40 84.20 56 56 86.50 -0.37 87.00 86.18 8.758 25,768 85.45 -0.15 85.70 85.06 441 3,852 83.92 -0.25 84.16 83.76 2,029 26,460 84.45 -0.25 84.75 84.45 123 3,170 85.05 -0.35 85.10 84.90 12 1,417 8.447 6L724 III ORANGE JUICE NYCE (15,000/bs; cents/lbs) 128.05 -0.95 128.50 128.00 127 127.95 -1.55 129.10 127.20 555 127.30 -0.05 127.75 128.50 137 128.50 -1.50 123.00 122.00 70 121.50 -1.20 122.70 120.50 43 555 12,359 137 3,315 70 1,008 43 3,210 - 265 928 28,469 123.00 -1.20 123.00 123.00 Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME and CSCE are one day in arr **INDICES** RELITERS (Base: 18/9/31=100) May 7 month ago year ago 2118.4 2103.2 2301.5

R CR28 Futures (Base: 1967::100)

SCI Spot (Beset 1970=100)

May e month ago 257.38 255.82

231.75

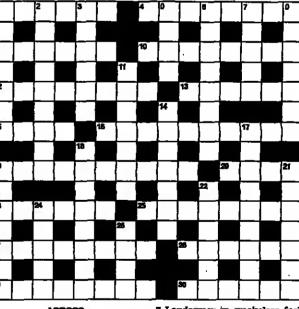
N/A N/A N/A M COFFEE LCE Jul 79 103 132 Sep 209 188 186 Sep 184 191 221 Sep 254 231 209 COCOA LCE 875 ... LONDON SPOT MARKETS M CRUDE OIL FOB (per barrel) Dubai Brent Bland (dated) Brent Bland (June) W.T.I. # OIL PRODUCTS NWE Cas Oll Heavy Fuel Oll Naphtha Jet fuel \$106-108 \$188-192 \$189-191 \$174-176 NATURAL GAS (Pence/therm) 9.40-9.55 E OTHER Gold (per troy ox) \$
Silver (per troy ox) \$
Platinum (per troy ox.)
Palladium (per troy ox.) 550.50c Copper Lead (US prod.) 130.0c 45.00c 16.17r 310.50 Tin (Kusis !umpur) Tin (New York) +0.07 +1.00 Cattle (live weight) Sheep (live weight) Pigs (live weight) 99.50p 187.67p +2.21 110.43p \$272.10 Lon. day auger (raw) Lon. day auger (wto) +4.60 \$383.50 114.40 Barley (Eng. feed) Melze (US No9 Yellow Unq Unq Wheat (US Dark North) 100.75p 100.75p 358.00m +1.00 +1.00 +1.00 Rubber (Jul)♥ Rubber (Jul)♥ Rubber (KL RSS No1) Coconut Of (Phill) \$815.DV -5.0 Palm Oil (Meley.)§ Copes (Phil)§

\$542.5z \$503.0v

227.Ωw

Solvenseure (n.2) Cotton Ontbook, V., inc Cotton Ontbook, V., inc

cautious approach to "mad cow board moved quickly to seize developed. JOTTER PAD 59,825 -1,5 82,000 58,825 7,961 30,011 80,035 -1,276 62,450 60,450 4,813 25,241 63,025 -0,8 84,200 63,000 2,497 17,828 61,450 -0,576 62,400 61,400 1,176 9,741 61,125 -0,576 61,950 61,050 1,280 8,573 98.775 +0.125 60.350 59.275 2.581 8.389 55.900 +0.125 98.490 50.350 1,140 5.989 51.300 +0.25 51.900 50.000 1,025 50.35 51.800 50.000 1,025 50.35 51.800 50.000 1,025 50.35 51.800 50.000 1,025 50.35 51.800 50.000 1,025 50.35 51.800 50.000 10.25 50.35 51.800 50.000 75.80 The solution is HP Computer Systems. PACKARD 42 92 350 92 350 585 1.872 CROSSWORD No.9,064 Set by QUARK LONDON TRADED OPTIONS



 4 Well directed snowballs, for example? (6,8) (6)
10 Priest if disguised could be 11 Kind of points for old proseem in WWII (8)

12 Car (not starting) up tree after crash, in a hole (8) 13 Trust's reputation (6) 15 Cross back for an entrance (4) 16 Pass swiftly by post in a race

earn a ton? (10) 20 Important performer is in the largest arena (4) largest arena (4)

23 In winter month woman showing devotion (6)

25 Dean and Father involved 21 One who recommends disrewith RI producing unseen waves (8)

27 Perfect: applied to pitch, temperature etc (8)
28 The sailor to be idle although shining brightly (6)
29 Sweets lacking introduction for ease of hearing (8) 30 Acting technique in a way (6)

1 Judy's flowers? (7) 2 Undergoing repairs under 3 Demands and obtains at pre-

cise second (6) One million religious Bantu One in dire straits? He'll make cynical observations (8)

air debate (5) 8 Court surrounded by peers represented a menacing ducer of snaps (7) 14 Transported then by a village in the bible (7)

17 The consequences following the US study of oumbers etc 18 Shark swirled round the north (8) 19 Piece statement of time together for legal authorisa-

garding advert for helmet piece (5) 26 The large amount of money coming up is to cease (4) Solution 9,063

BOWTLE CHAPLAIN
A 1 C I O O D Y
BUNCORN LITHIUM
N C N I I A E P
AWAY PAUNTERUSH
O N G Y E I S
E O A R S I U D
ANISEED STUPOR
C W C T Y E U
LOOSECOVER TRIU

Treasuries remain flat ahead of auction France ready to refinance,

By Lisa Bransten in New York and Semer Iskandar in London

US Treasury prices were mostly flat in early trading yesterday as optimism about demand at the afternoon auction of 10-year notes and economy from the Federal Reserve combined to ease some of the market's bearish tone.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up tat 86% to yield 7.071 per cent, while at the sbort end, the two-year note was # lower at 99%, yielding 6.181 per cent. After initially slumping to a year-low of 106#, the June Treasury bond future recovered its footing and was ¼ stronger at 107¼. The Beige Book, a summary

of the economy prepared by the Fed in advance of Open Market Committee meetings. was seen as encouraging to investors worried about inflationary pressures because it noted that prices remained relatively stable despite some tightness in the labour market and rises in commodity prices. There was some concern that the Beige Book would be more aggressive," said Mr Richard Gilhooly, an interna-

tional bond strategist at Paribas Capital Markets in New Mr Gilhooly said there was also some talk among Wall Street dealers that the 10-year note had sunk so low it was becoming an attractive investment, and that had inspired some hopes for decent demand at the Treasury department's sale of \$14bn in 10-year notes. The notes were expected to be

awarded at an average yield of

about 6.91 per cent.

■ UK gilts ended a quiet session higher. Liffe's June long gilt future settled at 105%, up 2. and rose to 105% in after hours trading. In the cash market, the 7½ per cent gilt due 2006 closed at 95%, up #.

Mr Stuart Thomson, chief international economist at Nikko in London, expects little rise in the level of activity in the near future. However, mar-ket participants are likely to focus on the housing and consumer sectors in the coming months.

Although these segments have started to show "some elements of strength", Mr Thomson believes there is room for a cut in the base rate sometime in the third quarter. He also expects gilts to "mar-ginally outperform" other markets, with 10-year yield spreads tightening to 160 basis points over hunds and 125 basis points over US Treasuries in

the next three months. These

spreads stood at 179 and 131 basis points respectively yes-

■ German hunds regained their footing after several days of uncertain trading. Liffe's June bund future settled at 96.03, up 0.30. The new 10-year benchmark, the 6% per cent bund doe April 2006, closed at 98.11, up 0.21. Economists at ABN Amro

Bank believe the "German business cycle is still very gloomy", with weak employment growth.

session and closed lower when the D-Mark rose against other The German currency's strength was due to comments

Spanish bonds had a mixed

by Mr Hans-Juergen Koebnik, a member of the Bundesbank council, who expressed doubts over the likelihood of European monetary union being

achieved within the Maastricht timetable. The June 10-year bono future closed at 97.96

However, analysts at Bear Stearns believe the market will soon resume its rally. The recent flattening of the yield curve, they said, was due to disappointment at the central bank's decision to cut the repo rate hy only 1/4 point to 7/4 per cent, while the market expected a 1/2 percentage point cut. But they expect a further % point cut after the release of consumer price data for April, which they believe will show a fall from the 3.4 per cent rate of growth in March.

Italian bonds closed barely changed, having fluctuated in a narrow range throughout the day. Liffe's June BTP future settled at 113.81, unchanged. The 10-year yield spread over bunds tightened by 1 basis

part of social security debt

By Samer Iskandar in London and David Owen in Paris

France's innovative refinancing of a large part of social security debt is about to get under way in earnest.

This week should see the issuance by a specially-created institution - the Caisse d'Amortissement de la Dette Sociale (Cades) - of the first tranche of the FFr140bn refinancing, in a move that will be watched with keen interest by European capital markets.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and eurobond issues.

Cades is having to operate under the tightest of timetables: the new instruments must be issued before June 28, when a bridging loan granted by a French government financial institution has to be

The creation of Cades is in accordance with a blueprint for welfare reform set out in November by Mr Alain Juppė, prime minister. He outlined a series of spending cuts and tax increases aimed at wiping out accumulated deficits of FFr250bn. He said the government wanted to clarify the situation "once and for all".

The motivation behind the "spin-off", according to one of the senior bankers consulted by the Treasury, was to "make the French feel more responsible about their social welfare system". By creating the Cades, and the new "social debt reimbursement" (RDS) tax that finances it, the government "can now say to the citizens: this is how much it costs, so this how much you will be

paying for it", he said.

the years 1994 to 1996. This is valued at the fixed amount of FFr120bn for 1994 and 1995; the provisional 1996 deficit bas been put at FFr17bn. The amortisation period is 13 years and one month, ending on January 31 2009. The body will also reimburse in annual instalments of FFr12.5bn the French state's

extinguishing France's cumu-lative social security deficit for

assumption of FFr110bn in lia-bilities arising from earlier financial deficits of the social security system. These deficits will continue to be managed by the state.

Finally, Cades will this year make a one-off payment of FFr3bn to one of France's national health insurance

In what amounts to a bold experiment with the concept of tax hypothecation, the body's funding will come essentially from a new 0.5 per cent levy on the personal incomes of all but the poorest French citizens the RDS contributions.

This is expected to raise FFr21.5bn in 1996 and FFr25.5bn in 1997, when it is extended to life-assurance contracts and income from several types of savings plans. A second, more modest, source of income is also available to Cades in the form of revenues from sales of property belong-ing to the French welfare

According to Standard & Poor's, the debt rating agency which has given Cades' debt its highest credit ratings - triple-A for long-term debt and Al+ for short-dated financing this level of income should "under presently foreseeable circumstances, allow Cades a comfortable margin for its debt service requirements, even if France's economic activity turns out weaker during the aying for it", he said. amortisation period than origi-Cades, which was legally nally assumed". However, S&P

defined and established on Jan-uary 24, is charged first with could seriously affect the performance of Cades". French official projections

show that even if nominal GDP declined by 7 per cent annually over the 13-year refinancing period, Cades' resources would still cover its "obligations visa vis the market". The structure of Cades's lia

bilities will provide an additional cushion for investors in securities issued by the body. This is because the annual payment to the state is subordinated to debt servicing navments. In other words, the state will only start receiving its annual dues after the claims of all other lenders to Cades have been fully satisfied. From an investor's point of

view, this is equivalent to endowing Cades with reserves - almost a "guarantee fund" bankers said - from which up to FFr12.5bn can be taken every year to fill any gap between RDS revenues and amounts owed to Cades' credi-

The legislation provides an additional safety net in the very unlikely – event of Cades being unable to fulfil its obligations, by stipulating that the government would then have to "submit to parliament the cessary measures to ensure the payment of principal and interest at the set dates".

In addition to Standard & Poor's, both Moody's, the other large US rating agency, and IBCA, the European agency, have given Cades their highest grades, confirming the finan-cial solidity of the structure

What remains uncertain is how the government will finance any additional deficits. It now appears increasingly likely that this year's deficit will be more than FFr17bn -the level at which the Cades contribution is capped.

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EXCENT.

Balling to Res But to

No.

Commence of the second

If there is an extra shortfall, it will have to be financed by

Warm welcome for issue from Vodafone

By Conner Middelmann

An inaugural £250m five-year bond issue for Vodafone, a UK mobile communications group. received a warm welcome in the sterling market yesterday.

INTERNATIONAL BONDS

ing - at a spread of 42 basis points over gilts - was tight, most dealers said it was fair. "We've been looking for fivevear corporate bonds in sterling for quite some time, and this one has a lot going for it: a great household name and a nice bit of spread." said one

trader, He found "puzzling" the

lack of pre-marketing. "When

you have a new borrower with

fresh ratings, people need some

BENCHMARK GOVERNMENT BONDS

Coupon Date

WORLD BOND PRICES

While some felt that the pric-

time to form a view" he said The bonds were rated A+ by Standard & Poor's and A2 by

good sales to UK institutions and Pep-funds, adding that the spread remained stable at 42 basis points over gilts.

a £125m three-year offering for GECC, priced at 7 basis points over gilts and aimed at Swiss retail investors, whose interest

Warburg. In dollars, Bayerische

Day's Price change Yield

106.3080 -0.540 87,3800 +0.200

Lead manager UBS reported

The sterling sector also saw in sterling bonds has picked up recently, said bookrunner SBC

Vereinsbank issued \$500m of five-year bonds at a spread of 22 basis points over Treasuries. While some dealers felt the pricing was tight given the quality of the name - Bayerische Vereinsbank was recently downgraded by Moody's from

	Amount	Coupon	Price	Matority	Font	Spread	Book-runner
IOTOWER IS DOLLARS	m.	78			70	bр	
layerische Vereinsbank	500	6.875	99.745R	May 2001	0.25R	+22(61/4%-01)	JP Morgan/Partoes Cap Mid
ederal Home Loan Mtg Corpts)	500	6.80#	100,00A	May 1999		+39(V) 3(r)	Goldman Sachs International
langua Internationala à Lux	100	4.875	99.018R	Jun 1997	0.108	+12(T-bill)	NetWest Capital Markets
didianottement softmu	66.7S	2.50	100.00	May 1989	2.25		Sumitomo Finance Inti
etori Bectric Co(c)	60	3.00	100.00	May 2000	2.25		Deiwa Europe
EN							
Apport State Corp(d)*	20bn	2.50	100.20	May 2000	0.50		Northchukin International
TERLING					4.4.3		
odatone Group(s)	250	7.E7S	98.311FI	Nov 2001	0.308	+42(7%-01)	UBS
compagnie Bancaire‡	150	(0,4)	99.60R	Mar 2001	0.175R		HSBC Markets
ECC(s)	125	7.375	99.82FI	Dec 1999	0.1675A	+7(6%-00)	SBC Wartung
ALIAN LIRE							
Korici Barskiji	250bn	28/2	40.65	An 2008	1.00		Citibank/Cracko Italiano
SCUDOS							
do Securities lett	20km	(21)	100.00	Jun 2002	0.275		Benco Efes/Bankers Trust
EW ZEALAND DOLLARS							
forld Bank	100	8.75	101.13	Jun 1999	1.50		CBA
inal terms, non-catable unless s With equity warrants 2 Floating	teted. Yield	spread (or	ver relevent	government	bond) st	taunch supplied	by lead manager, #Unitstat

triple-A to Aal - a syndicate offering of six-year floatingofficial at Paribas, joint leads rate notes, writes Antonia with J. P. Morgan, said the The credit-enhanced notes

issue had aeen good sales are fungible with an offer last across Europe. Empresa Publica, a Portu-December, making it the largest financing for a Portuguese guese state-owned company, raised Esc20bn through an

Sep

Jun

0.40

31

1,22

1,42 1,76

III BUND FUTURIES OPTIONS (LIFFE) DM250,000 points of 100%

CALLS

30

0.32

ALIEN

Aug 0.62 0.36

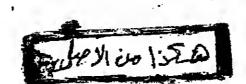
Bankers Trust, which arranged the offerings with Banco Efisa, widened the appeal of the escudo bonds by providing asset awaps for investors who did not want to exposed to the currency

-	444									_		- 180			
FT-ACTUARIES	FDED	INTERES	ST IND	ICES											
Price Indices UK Gilbs	Wed May 8	Day's change %	Tues May 7	Accrued Interest	nd acij.		May 8		ylekt — Yr. ago	May 8		n yield — Yr. вдо		острои Мау 7	
Lip to 5 years (23)	121.55	+0.10	121.44	2.58	3.06	5 yrs	7.62	7.65	8.00	7.65	7.69	8,04	7.78	7.81	8.19
2 S-1S years (18)	144.69	+0.38	144,18	2.98	3,36	15 yrs	8.35	8,40	8.10	8.36	8.42	8.17	8,48	8.50	8.39
Over 15 years (6)	158,71	+0.53	157.88	3.58	3.48	20 yrs	8,42	8.47	8.10	8.41	8.47	8.17	8.50	8.54	8.34
irredegraphies (8)	181.11	+0.17	180.81	4.85	1.47	bred.†	8.49	8.51	8.18						
AK stocks (57)	140,51	+0.29	140.10	2.08	3.29										
ndex-linked				1000		-:/-	May		7 Yr.		May	- Inflation 8 May	10%		· · · · ·
Up 00 5 years (1)	195,88	+0.03	195.62	0.29	4.43	Up to 5 yrs	2.6	18 2	57 3.	3	1.5	30 1.3	31 1.7	, G	
Over 5 years (11)	185.75	+0.15	185.48	1.42	1,33	Over 5 yrs	3.7	9 3.	30 3.5	5B	3.	50 3.6		٠ .	
All stocks (12)	185.84	+0.14	185.58	1.39	1.40					_					

Austria Belgium		8,125 7,000	02/06	97,3800	+0.200	6.49	8.37 6.63	8.77	9850		0.21 0.08	0.18 0.11			.88 1,5 .06 2,0		1,81 2.26
Canada *		8.750	12/06	105,1200	-0.170	7.97	7.79	7.54				6 Puts 11606					
Denmark	BTAN	8,000 5,750	03/06	0.0000	-0.160	7.46	7.28 5.49	7.49 5.74									
mince	OAT	7.250	04/08	0.0000	-	0.00	6.40	6.59	Italy								
Germany B	und	6.250	04/06	98.1100	+0.210	6.51	8,37	6.39				AN GOVT.		P) FUTUR	ES		
ireland taly		8.000 8.500	02/06	101,9000 99,1100	+0.550	7.71 9.64†	7.52 9.62	8,02 10,58	(ton		Open	Sett price		High	Low	Est. vol	Open fre
Japan	No 140	8,600	08/01	118,4870	+0.200	2.51	2.51	1.85	Jun		113.75	113.81	+0	114.28	113,90	40943	61779
Vetherlands	No 182	3.000 8,000	09/05	96,9800	+0.280	3.41 6.42	3.39	3.19 6.43	Sep		113.18	113.19	+0	113.50	113.11	149	1391
Portugal	•	11.875	02/05	116,0500	-0.350	8.12	8.90	8.46	■ MA	LIAN G	OVT. B	OND (ETTP)	FUTURES	OPTIONS	(Ufff) Lin	200m 100	ha of 100%
Spaln		8,800	04/06	96.9900	-0.160	8.26	8.14	2.63	Strike			CA	13			PUTS -	
Sweden UK Gilts		8,000 000,8	12/00	64.2140 101-27	-0.210 +7/32	8.64 7.51	8.21 7.38	7.49	Price			Jun	Se	p	Jun		Sep
		7.500	12/06	95-09	+15/32	8.17	E0.8	8,13	11350			0.93	1,90		0.62		2.21
IC *		9.000	10/08	105-18 91-07	+17/32	8.27 0.87	8.14	8.25 6.25	11400			0.68	1.8		0.85		2.48 2.75
US Treesur	y .	5.625 6.000	02/06	86-21	-1/32 +1/32	7.08	6.89	8.50		-		0,45 9 Pula 6740.	1.44 Provious de			E Pub 95645	
ECU (Frenc		7.500	04/05	0.0000	_	0.00	6.79	7.09						,,			
London close † Gross Anch				cent payable	by manns		CON TESTA	at standard	mber								
Prices: US, U							A: MMS	hateradore	M NO	LIONAL	. SPAN	ISH BONED	FUTURES	(MEJTY)			
											Open	Sett price	Change	High	Low	Est. vol.	Open int.
US INT	EREST	RAT	ES						- Auri		98.12	87.88	-0.23	96.47	87.60	74,838	61,455
Lafest				Treasury	Billion and	Bond Yiel	da		Sep UK		97.1e	97.A3	-0.35	97.33	97.18	45	35
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									Price		Jun	Jul	AUG :	Sep J	ur Ju		Sep
BOND	FUTUR	ES A	ND OP	TIONS					105		0-46			-15 0-			2-13
									105 107		0-20 0-06			1-55 1- 1-37 1-4			2-53 3-35
												Pura 3458.		-		Pura 39785	
France																	
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	Open	Sett pr	ce Char	ge High	Lo	w Est	. vol.	Open int.	EC.	J BONE	FUTU	RES (MATE) ECU100.	000 (May 7	<u> </u>	_	
Jun	122.90	122.7		122.96			.655	156,248			Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep Dec	121.40 120.22	121.2 120.0		121.48 120.28			.01S .142	11,539 8,163	Jun		90.76	90.55	-	90.78	80.64	501	6,155
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Strike		_	ALLS -	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	y	PUT	~		us								
Price	Jun		Jul	Sep	Jun	Ju	_	Sep		TREAS	LRY E	מאס פאכ	ES (CST)	\$100,000 3	Onde of 10	0%	
120				-	0.06	0.4		0.84			Open	Lotest	Change	High	Low	Eat vol.	Open int.
121	1.85	_			0.14	0.7		1.20	Jun		07-00	107-06	+0-08	107-06	106-18	223,012	375.255
122 123	1.05		0.55 0.25	1.01	0.33 0.72	13 2.0		1.60	Sep		06-11	105-18	+0-07	106-18	106-02	6,853	32,765
124	0.13		•	0.38	1.41				Dec	1	05-22	108-00	+0-05	106-00	105-18	1,210	6,855
Est. vol. total	i, Cass 18,74	io Pues	19.166 . Pre	More quit, o	ren int. C	37,85 car.	7 Puts 1	78.538.									
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Germai												TERM JA		OVT. BON	D FUTURE	2 2	
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	Open	Sett pr		-	Lo			Open int.			Open	Close	Change	117.84	Low	Est. vol	Open Inc.
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THURSDAY MAY

MARKETS REPORT

Rand falls on signs of government split

By Graham Bowley

The South African rand came under renewed pressure on the foreign exchanges yesterday amid fresh concerns about the shape of the roling coalition

amid large falls in government bond and equity prices after Mr F W De Klerk, deputy presi-dent, raised the prospect of the white led National Party quit-ting the two-year old Government of National Unity. The former president said the post-apartheid constitution, which was officially adopted yester-

day, was flawed. Elsewhere, the D-Mark's recent revival continued as it gained at the expense of the dollar and most European currencies after comments by a Bundesbank official appeared to support a stronger German

currency.
The dollar's sharp fall against the D-Mark came amid further weakness in the US

	equity market and nervousness
	in the US bond market ahead
	of a large auction of bonds.
	The Bulgarian lev continued
,	its recent sharp decline, falling
	to an all-time low against the
	Tolland to the section of

government. The pound displayed some independent strength, rallying against the D-Mark and the dollar despite the D-Mark's gains against other European currencies.

The dollar held firm against the yen despite its losses against the D-Mark. It closed in London at Y105.23. Against the D-Mark, it finished at DM1.5183 from

DM1.5328. Sterling finished against the D-Mark at DM2.3019 from DM2.299. Against the dollar, it closed at \$1.5162 from \$1.5113 at

1.5175

One month
Rate %PA

the previous close.

■ The view that the D-Mark may now be set for a rebound following stronger than expected German economic data in recent weeks gained ground sterday, helped by comments by Mr Hans Jurgen Kobnick, a Bundesbank council member. Mr Kobnick said that interest rate cuts in other European countries would probably pre-vent their currencies from

strengthening against the D-Mark. Hs also threw some cold water on speculation of lower German interest rates when he said he saw no room for further change in official interest rates, and no economic benefit

in a lower repo rate. The D-Mark made particularly strong gains against European high-yielding curren-

Mr Lawrence Hatheway, currency analyst at UBS in London, said: "Many of the highyielders were ripe for a correc-

700 ----803 1,000

CURRENCIES AND MONEY

tion but there is also the beginning of a shift in sentiment in favour of the D-Mark following more upbeat economic data." He said an environment of rising interest rates, particularly in the US, was not condu-

high-yielding countries. ■ Analysts said the Bulgarian lev's decline - from around

DOLLAR SPOT FORWARD AGAINST

of last month to around Lv120 has been due to growing worries about the country's troubled banking system.

Mr Andrew Kenningham, analyst at Merrill Lynch in London, said the country's relatively low annual inflation rate of around 33 per cent did justify the recent collapse in

the currency.

He said: "There has been a flight out of the currency and out of the banking system as the country faces large debt payments."

He said there was the poss bilty that the country, which has undergona a Brady-style debt restructuring, could become first country to default on its Brady bond payments, which could further hasten the currency's decline.

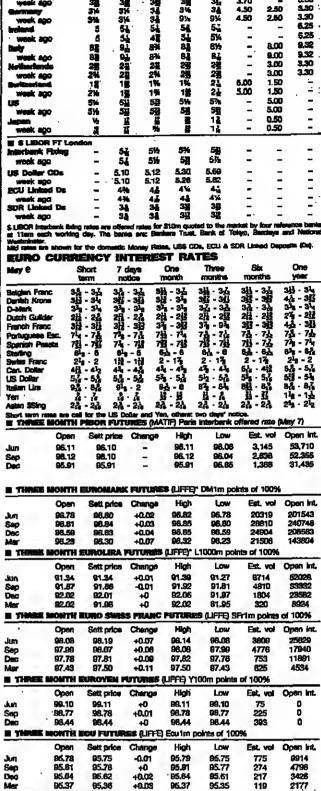
cive to flows into relatively ■ Yesterday's UK monetary meeting between the chancel-lor and the governor of the Bank of England ended without comment, with analysts expecting no change in interest rates to follow the meeting. Mr Tony Norfield, currency analyst at ABN Amro in Lon-

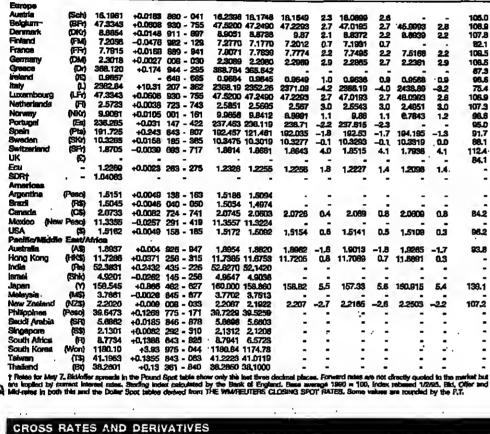
don, said the strong link between sterling and the dollar had been broken in recent seesions in sterling's favour. He said the pound had remained strong despite the dollar's decline against the

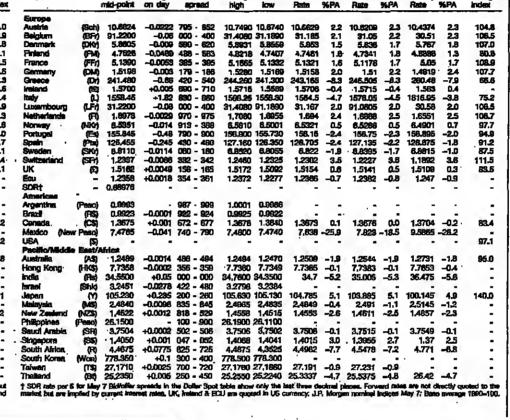
He said: "It is an indication of a reassessment of sterling's strength, supported by buying of UK assets by US investors and by less concern about the political risk."

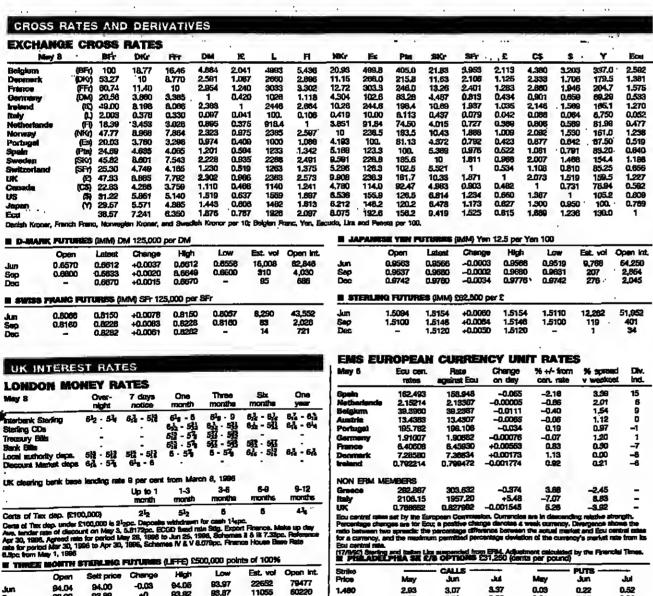
Attention in the UK today will be on industrial produc-tion data for March which are expected to show further weak-

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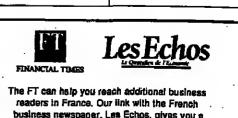


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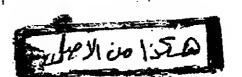
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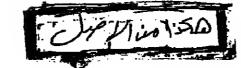


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MARKET REPORT

UK equities burdened by Wall Street gloom

By Steve Thompson, UK Stock Market Editor

A sparkling performance hy the food retailing giants and the usual daily sprinkling of hid stories helped to cushion London's equity market from another potentially severe drubbing yesterday.

Nevertheless, a big fall in shares on Wall Street at the outset of trading, amid fears of a substantial correction, saw London give substantial ground towards the close to register its fifth straight decline.

The FT-SE 100 index retreated a further 15.7 points to 3.707.3, extending its decline over the past three trading sessions to 110.6 points, stances on US markets this week.

or just short of 3 per cent. Second-line stocks were equally hard hit, with the FT-SE Mid 250 index sliding 21.1 to 4,504.4, its sixth decline over the past seven trading days, during which the index has

given up 64.2, or 1.4 per cent.

Dealers said London's fall was almost entirely down to Wall Street's recent bout of weakness. which in turn was attributed to a number of influential broking houses reducing their recommended exposures to equities.

Three of the leading Wall Street bouses, Merrill Lynch, Smith Barney and Morgan Stanley, have adopted much more cautious

Dealers in addition pointed out that London had also been belped by a strong showing by gilt-edged stocks, which were commonly up around a half-point in the wake of the regular monthly meeting between Mr Kennetb Clarke, the chancellor of the exchequer, and Mr. Eddie George, governor of the Bank of England. Traders said that only a handful of super-optimists had expected a cut in UK rates.

Senior traders said London would struggle to resist the downward pull from Wall Street. "There is talk of the Dow Jones Industrial Average falling back to 5,200 in the sbort term as stories of a US interest rate rise circulate," said one. He added

following a bank boliday. that the Footsie would take a look at 3,650 in the short term if Wall Street continued to lose ground.

Another said there were signs that the big bedge funds were pulling out of US stocks and shifting cash into Treasury bonds, which moved higher yesterday, and into various overseas markets.

Turnover yesterday reached an unspectacular 734.3m shares, with non-FT-SE 100 stocks accounting for more than 60 per cent of that figure. The total was lifted, marketmakers said, by a couple of trading programmes executed in midsession. Customer, or retail, business on Tuesday was valued at £1.9bn. sur-

prisingly high for the first day

missed by industry sources.

who said that the same old

story bad circulated six

favour, crashing to the bottom

of the Footsie rankings as some analysts trimmed profits

estimates on the group's latest

There was said to be disap-

pointment at the "full price" Vodalone is paying to raise its

stake in French mobile phones

rival SFR to 16.5 per cent. And

There was also steady selling

from the US on the back of a

weak morning session for Wall Street. Vodafone ended 8

cheaper at 247p and is now

back to the bottom of its recent

Cable and Wireless hardened

6 to 476p ahead of next week's

results from its subsidiary

Hong Kong Telecom. There

a number of brokers tweaked

earnings forecasts lower.

Vndafone stayed out of

months ago.

French deal

trading range.

J. Sainsbury took pole position in the Footsie rankings, with the shares climbing rapidly after pleasing news of the progressive dividend policy and the decision to ask sharebolders to approve a potential

the rest of the food retailing arena. Takeover stories continued to circulate, with Pearson rising strongly and Cable and Wireless putting in a late spurt, amid hints that Li Ka Shing's Hutchison Whampoa group may be preparing a megabid for the UK telecoms group. C&W's merger discussions with BT ran into the



Food retailers celebrate

Relief that food retailer J. Sainsbury bad not issued another profits warning as it published lower full-year figures sparked a wave of huying in the company's shares and the sector as a whole.

As the session drew to a close the group's shares were up 15 at 372p, having touched 377%p in fevered buying in the morning. Turnover was 12m.

One analyst, emerging from a meeting with the company, said of the share price perfor mance: "Everyone is just relieved we did not get another profits warning from Sains bury, and I think that is what the share price is saying."

Sentiment in the stock was initially enhanced by reiteration of a progressive dividend policy and an announcement that Sainshury is to seek powers for a share buyback. However, one market specialist said: "The company has indicated it has no plans to use its huyback powers."

Several brokers downgraded current year profits expectations in the wake of the figures. The list of those reducing expectations included SBC Warhurg, the group's hroker. which lowered its forecast by £29m to £796m. UBS downgraded its estimate hy £25m to £785m, although it has upgraded its recommendation from "sell" to "hold".

Indications from Sainshury that, in spite of plans to launch a nationwide loyalty card, it is unlikely to make moves that will seriously deepen the price war with its competitors triggered solid buying among lead

ing stocks in the sector. Argyll Group climbed 81/2 to 336½p, while Tesco, also in demand, gained 5 at 272p in heavy trading that hrought volume of 12m.

Sainsbury's plans for its DIY operations cast a cloud over several other home improvement retailers. W.H. Smith, joint numer of Do It All with Boots, dropped 8 to 487p and Boots fell 4 to 617p.
Wickes slipped 2 to 127p.

Dixons receded 10 to 482p on 2m shares traded, with a substantial investor understood to have been selling.

Barclays active

Shares in Barclays firmed 2 to 747p as some dealers began to anticipate some jumbo-sized buying at the end of the month.

The bank announced at the end of February that it was prepared to buy back 40m of its own sbares at 765p apiece. Many investors will have waited hefore refilling their portfolios in order to satisfy their auditors over the consequent tax credits. The waiting time has not been fully laid down hy the Inland Revenue but three months is customary and practice for some hig institutions. That deadline passes at the end of the month.

to arrive," muttered an analyst commenting on Whithresd, which fell 8 to 738p after its results, at the top end of expectations but not ahove them, failed to excite the market.

"It is far better to travel than

Analysts, some of whom nevarthless upgraded their forecasts, said there was an element of profit-taking in Whitbread, which is the first of the major brewers to report results. Some marketmakers were said to be running long books and to have cot their

position. Bid rumours concerning J. Wetherspoon, the pubs group, which jumped 60 to 955p, were said to be misplaced. Analysts attributed the increase to activity from US buyers, who are already substantial investors in the group. US investors were also said to be purchasing Pizza Express shares, which added a penny at 350o.

S.G. Warburg reiterated its "add" recommendation for Grand Metropolitan, which hardened to 426 p. Guinness rose 7 to 479p. Speculation that the two groups were planning some joint venture for their spirits divisions were dis-

was some speculation that FINANCIAL TIMES EQUITY INDICES

May 9 May 7 May 3 May 2 May 1 Yr ago "High
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May 9 Mey 7 May 3 Mey 2 May 1 Yr ago 7-ligh 1072.60 1075.00 1067.90 1062.30 1065.00 - 1075.00

E London market data LIFFE Equity option 421 881 1,455 Total Lows 103 23 Total or ed on Equity shares listed on the London Share Service.

C&W would link in the HKT results with news of the appointment of the new chief executive.

Meanwhile, vague takeover talk rumbled on, with the latest stories focusing on a possihle bid move hy a Chinese-led consortium.

The market continued to look uneutbusiastically at Tuesday's first-quarter figures

from British Petroleum. Despite producing sparkling first-quarter figures, the shares have languished and vesterday they fell 61: to 5621:p. Some worries ahout the oil price have been revived by the resumption of talks about the

embargo on Iragi exports. Also, some hrokers believe the easy money has been made and it is time to switch into Shell Transport. Shell eased

ouly 31 to 851 p. Motor components engineer Lncas Industries retreated 6:. to 227p after another hectic session. The shares surged to an all-time high in beavy volume on Tuesday following news of talks with Varity, of the US. The stock racked a further 9.4m of turnover. Strong interim results drove Avon Rubber ahead hy 28 to a new neak of 626p.

Royal Bank of Scotland moved forward 5 to 527p after announcing encouraging figures. Analysts are now expected to raise the 1997 consensus forecast hy around £40m to £750m.

Healthcare group Smith & Nephew gained 6: at 2013p with help from a recommendation issued by ABN Amro Hoare Govett.

Pharmacenticals group Zeneca adoed 5 at 1372p after announcing that it had agreed to sell its textile colours hustness to BASF for up to £138m. Talk of an engines joint venture between GE and Pratt and Whitney emerged after market

hours.

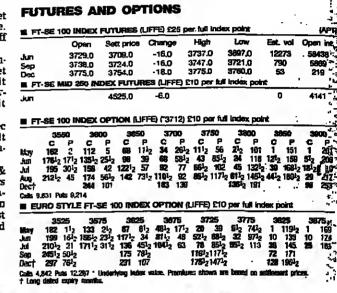
together to defend their market position against Rolls-Royce. The latter had earlier closed off 3 at 221p.

La Senza, the up-market lingerie chain making its market debut. demonstrated that it was commercially priced. Having been placed at 150p, it

closed at 156p. Reflective paint group Reflec made a strong start on AIM. It closed at 48p, against a flotation price of 40p.

Sweeteners group Tate & Lyle fell sharply as brokers downgraded profits expectations after it reported interim figures below the market's best estimates. The sbares ended the day 14 lower at 462p.

MARKET REPORTERS: Peter John, Joel Kihazo. Jeffrey Brown, Lisa Wood.



TRADING VOLUME

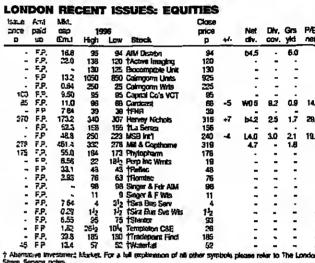
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	E.P.	•	130	125	Exacomposite Unit	130		-		-	
	-0	13.2	1050	850	Cairngorm Units	925		-	-	-	
	F.P.	0.64	250	25	Calmgorm Wrts	225			-	-	
	F.P.	9.50	95	95	Capital Co's VCT	95		-	-		
	F.P.	11.0	96		Cardons	68	-5	W05	9.2	0.9	14,
	FP	784	39	39	†FNR	39		-	-	-	
	F.P.	173.2	340	307	Hervey Nichols	315	+7	54.2	25	1.7	29,
	F.P.	52.5	158		tLa Serva	156		-	-	-	
	F.P	48.8	250	223	MSB Int'l	240	4	LA.0	3.0	2.1	19.
	F.P.	451.4	332	278	Mild & Copthorne	319		4.7	-	1.8	
	F.P.	55.Q	184	173	Phytopharm	176			-	-	
	FP.	6.56	22	1812	Perp Inc Wints	19		-	-	-	
	FP	33.1	43	43	†Reflec	48		-	-	-	
	7.P.	3.93	76	63		76		-	-		
	7.P.	-	98	98	Singer & Feb AIM	96			-	-	
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	7P.	7 64	4	312	†Sra Bus Serv	4		-	-		
-	F.P.	0.29	122	11/2	TSira Bus Svs Was	12		-	-	-	
	F.P.	6,55	95	75	†Sterator	93		-	-	-	
	FP	1,52	2612	10 ¹ 4	Templeton C&E	26		-	-	-	
-	F.P.	39.8	185	180	Tracepoint Find	185		-	•	-	
÷5	FP	13.4	57	52	tWaterfail	52		-	-	-	

FE GOLD	MILE.	<u>-911</u>	11-15-	Λ.				
	May 7	% chg on day	Mary 6	Your 1200	Gross div . yield %	P/E	52 W High	reek . Low
old Mines Index (31) Regional Indices	2362.66	+2.1	2334,62	1942.87	1,30	-	2020.73	1772.5
linca (13)	3110,07	+16	3060.30	2703.50	2.31	37.76	3553.86	2272.7
ustralacia (6)	2804.64	+1.8	2755,58	2470.65	2.30	29.87	2927.34	2098.5
con America (12)	211917	+2.3	2071.20	1647.45	0.66	88.56	2186.39	1488.9

3723.0 3751.6 3776.4 3290.1 4525.5 4515.3 4537.7 3588.0

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The huzz was that the US leaders were get	two conting time	yngro es Un 1242
Je II SE Actionnes	Share in	diç
	May 9	Day
FT-SE 100	2707 3	_
FT-SE Mid 250	4504.4	-
FT-SE Mid 250 ex Inv Trusta FT-SE-A 350	4547,7 1883.8	
FT-SE-A 350 Higher Yield	1808 E	
FT-SE-A 350 Lower Yield	1966 3	_
FT-SE SmallCap	2221.50	-
FT-SE SmallCap ex lov Trusts FT-SE-A ALL-SHARE	2219.68 1970.23	- 4
# FT-SE Actuaries All		
		Day
		chge
10 MINERAL EXTRACTION(24)	3415.57	-
12 Extractive industries(6) 15 Off, Integrated(3)	4758.84	4
15 Oil Exploration & Prod(15)	3378.09 2448.57	
20 GEN INDUSTRIALS(275)	2125.79	
21 Building & Construction(34)	1247.05	-4
22 Building Matis & Mercha(29)	1958.33	_
23 Chemicals(25)	2512.20	4
24 Diversified Industrials(19) 25 Electronic & Elect Equip(37)	1777.20 2405.98	
26 Engineering(71)	2450.99	-
27 Engineoring, Vehicles(13)	3035.24	-4
	2777,84	4
29 Textiles & Apparel(18)	1423.12	
30 CONSUMER GOODS(80) 32 Alcoholic Beverages(9)	3453.53 2818.59	+6
33 Food Producers(23)		
34 Household Goods(15)	2695.03	-
36 Health Care(20)	2078.96	+1 -0
37 Pharmaceuticals(12) 38 Tobacco(1)	4808.05 4180.38	7
40 SERVICES(233)	2492.89	
41 Distributors(32)	2932.88	-0
42 Leisure & Hotels(23)	3204.87	
43 Media(45) 44 Retailers. Food(15)	4190.56 1942.24	+2
45 Retailers, General(43)	2025.42	-0
47 Breweries, Putts & Rest.(24) 48 Support Services(49)	3116.86	-0
48 Support Services(49)	2346.85 2418.08	99
49 Transport(21)	2449.5B	-9
60 UTILITIES(33) 62 Electricity(12)	2857.04	-1
64 Gas Distribution(2)	1453.73	-0
89 Telecommunications(7)	2001.88	-0 -1
68 Water(12)	2112.51	
69 NON-FINANCIALS(995)	1995.63	<u>-9</u>
70 FINANCIALS(105) 71 Banks, Relati(8)	2842.06 3813.35	-0
72 Banks, Merchant(B)	3541.52	
73 Insurance(23)	1479.54	-9.
74 Life Assurance(5) 77 Other Financial(21)	3800.10 2654.07	-0. -0.
79 Property(-11)	1587.58	+0.
80 INVESTMENT TRUSTS(126)	3210.98	-0.
89 FT-SE-A ALL-SHARE(896)	1870.23	-0.
FT-SE-A Fledgling	1241.59	-0.
T DE A Floridation on law Toronto	1250 50	

FT-SE Mid 250 ex Inv Trusta	4547.7	-0.4	4567.5	4664 7	4576.8	3592.2	3.42	1.80	20.28	82.46	1823.45
FT-SE-A 350	1883.8		1892.0		1914.1		3.42	2.06	15.75		
FT-SE-A 350 Higher Yield	1808 E		1919.9	1834.6			5.13	1.90			1258.85
FT-SE-A 350 Lower Yield	1966 3				1998.8		2.69	2.34		26.57	1356.69
FT-SE SmallCap	2221.50				2232.39		2.92	1.78	24.11		1916.75
FT-SE SmallCap ex lav Trusta	2219.68				2225.78		3.08	1.87		25.34	1825.36
FT-SE-A ALL-SHARE	1970.23				1898.63		3.79	2.04		33.17	
		-0.4		100/22	1030.00	1014.40	9.74		1020	00	1001.00
FT-SE Actuaries All-	Snare	O- I-				V	Div.	Net	P/E	Xd adi	Total
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10 MINERAL EXTRACTION(24)	3415.57	-0.53	437.53	3476.50	3481.79	2894,51	3.82	1.80	18.21	66.55	1466.25
12 Extractive industries(6)	4758.84	-0.2 4	768.29	4717.65	4698.65	3721.01	3.38	2.50	14.73	109.19	1400.38
15 Off, Integrated(3)	3378.09	-0.8 3	403.97	3461.49	3469.51	2907.20	4.09	1.68	18.19	65.59	1485.76
15 Oil Exploration & Prod(15)	2449.57				2482.85		2,14	1_59	36.84	32.05	1473.02
20 GEN INDUSTRIALS(275)	2125.79	-042	134 91 3	2139.60	2153.96	1938.59	3.89	1.69	16.63	33.74	1159.96
21 Building & Construction(34)	1242.05				1251.05		3.32	1.80		18.04	1039.46
22 Building Matis & Mercha(29)	1958.33				2003.07		3.68	1.71		36.36	990.53
23 Chemicals(25)	2512.20				2541.17		3.94	1.94		37.65	1197.40
24 Diversified Industrials/19/	1777.20				1800.82		5.91	1.68		44.79	996.39
25 Electronic & Elect Equip(37)	2405.98				2423.22		3.05	1.68		13.04	1241.14
26 Engineering(71)	245D.99				2497.79		3,12	2.47		28.63	1484.69
27 Engineering, Vehicles(13)	3035.24				3023.87		3.51	1.92		48.83	1574.31
28 Paper, Pckg & Printing(28)	2777.84				2792.13		3.66	2.03	16.78	41.62	1156.90
29 Textiles & Apparel(18)	1423.12				1444.77		4.96	1.53	16.43	28.70	870.11
					3539.43		4.06	1.85	10.07	71.72	1279.22
30 CONSUMER GOODS(80)	3453.53				3333.43 . 2821.12 :		4.41	1.63		58.02	1017.47
32 Alcoholic Beverages(9) 33 Food Producers(23)	2818.59 2472.05				2499.92		4.18	1.82		55.D4	1120.57
34 Household Goods(15)	2695.03				2699.79		3.85	241		51.26	1032.17
36 Health Care(20)	2078.96				2048,57		2.56	1.68		27.65	1265 60
37 Pharmaceudcals(12)	4808.05				5044.89		3.54	1.86		91.77	
38 Tobacco(1)	4180.38				4235.44		6.08	2.00			1050.08
					2510.51 2		2.83	2.04		32.56	1295.14
40 SERVICES(253)	2492.89 2932.88				2972.63 2		2.85	1.78	24.82		1081.97
41 Distributors(32) 42 Leisure & Hotels(23)	3204.87				3234.08 2		2.75	1.95			1725.92
43 Media(46)	4190.56	41	92 30 4	180.64	1235.14	951.51	2.12	1,96			1517.70
44 Retailers, Food(15)	1942.24				1920.04		3.87	240	13.49		1228.49
45 Retailers, General(43)	2025.42				2046.60 1		2.85	2.20	19.03		1152.98
47 Breweries, Pubs & Rest (24)	3116.86				3155.50 2		3.20	2.05		16.79	1487.69
48 Support Services(49)	2346.85	-0.1 23	48.43 2	348.31	2343.82 1	57B,64	1.95	2.45	26.14	23.00	1492.19
49 Transport(21)	2418.08	-0.5 24	30.29 2	422.06 2	435,78,2	280.35	3.59	1.40	24.87	28.86	1004.99
	2449.58	-0.7.24	67 A9 2	496 31 5	2536.33 2	745 22	5.07	2.05	1201		1038.97
60 UTILITIES(33) 62 Electricity(12)	2857.04				2836.00 2		4.89	2.56			1375.17
64 Gas Distribution(2)	1453.73				547.63 1		9.24	1.36	11.17		781.19
89 Telecommunications(7)	2001.88				127.08 2		4.21	1.75	16 90	0.15	906.17
68 Water(12)	2112.51				142.26 1		5.78	2.59	8.37	3.81	1145,59
69 NON-FINANCIALS(995)	1995.63	-0.4.20	02.65 2	112.29.2	030.34 1	738 24	3.77	1.93	17.18	22 20	1513.11
70 FENANCIALS(105)	2842.06				854.48 2		4.19	2.63			1228.92
71 Banks, Retal(8)	3813.35 3541.52				1880.94 3 1595.35 3		4.00 2.79	2.38			1255.03
72 Banks, Marchant(B)	1479.54				390.62 1		5.33	3.15			1121.89
73 Insurance(23) 74 Life Assurance(6)	3800.10	-0.8 36	28.70 34	343.21 3	633.30 2	591.26	4.15	2.22			1113.99
77 Other Financial(21)	2654.07				685.49 1		3.68	1.82	18.66		1505.48
79 Property(-11)	1587.58				572.69 1		4.03	1.32	23.53		959.40
					262 35 2						
80 INVESTMENT TRUSTS(126)	3210.96						2.15	1.06	54.68		1119.79
89 FT-SE-A ALL-SHARE(896)	1870.23				898.63 1		3.78	2.04	16.20	33.17	1581.09
FT-SE-A Fledgling	1241.59				244.99		2.76	2.1B	20.78	11.80	1295 74
FT-SE-A Fledgling ex Inv Trusts	1250.52	-0.1 129	51.83 12	250.80 1	252.85	963.96	2.96	2:36	17.75		1305.11
E Hourly movements											
-											

3724.1 4515.3 3718,3 4514,0 1699,1 3714.8 3712.2 4511.8 4506.3 1687.5 1885.9 1236.1 4791.1 2116.7 3891.5 1236.1 4776.9 2118.9 3867.9 1236.1 4766.7 2112.0 3885.4 1235.0 4772.9 2104.8 3886 7 1234.3 4757.7 2104.6 3878.1 1233.4 4751.0 2107.2 3878.1 1233.5 4741.3 2104.7 3870.9



There he is. Fourth row, second from the left. The one with the moustache. Obvious really. Maybe not. The unsavoury-looking

character you're looking at is more likely to be your average neighbourhood sinh with a gruhhy vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing. And nothing is all they'll ever have

unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



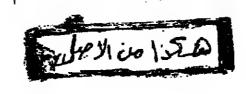
We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a

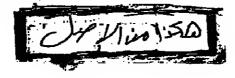
refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world, UNHCR Public Information

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Dow falls further as tech shares tumble

Waii Street

US shares fell for a fifth consecutive session yesterday as the technology sector tumbled and investors worried that the bond market could weaken sharply after an afternoon auction of 10-year notes, writes Lisa Bransten in New York.

The Dow Jones Industrial Average dropped nearly 79 points in early trading as bonds slipped, but later bounced off its morning low amid a recovery in the bond

By 1 pm the Dow was off 51.66 at 5,369.29 and the Stan-dard & Poor's 500 had lost 8.18 at 632.08. The American SE composite shed 6.36 to 581.96. NYSE volume was 231m.

Activity on both the stock and bond markets was volatile ahead of the Treasury Department's afternoon auction of \$14bn in 10-year notes. Demand was weak at Tuesday's auction of \$19bn of three-year notes.

comfort from the Beige Book -a summary of the economy prepared by the Federal Reserve in advance of its May 21 Open Market Committee

meeting - which said price levels remained relatively steady. Meanwhile, technology shares sank amid pessimism about demand for semiconductors. The Semiconductor Industry Association was to release its book-to-bill ratio - which is eeen as a key measure of demand for chips - after the market closed.

In early trading, the Nasdaq composite, which is about 40 per cent comprised of technology shares, was off 15.52 at 1,167.15 and the Pacific Stock Exchange technology index was 2 per cent lower.

America Online sank \$5% or 9 per cent to \$641 after the online service provider reported quarterly results that were generally in line with analysts' estimates. Some observers attributed the decline to a combination of profit-taking and concern about a new pricing system announced by the company. Elsewhere, Associates First Capital, which began trading

yesterday, had garnered a premium of \$3 above its offering price of \$29 by midday. The financial services company, a unit of Ford Motor company. raised \$1.9bn by selling 67m shares at \$29 each.

Canada

sion trade, unable to svoid Wall Street's influence. The TSE 300 composite index was down 25.57 by noon at 5,141.40 in hefty volume of 53m shares. BCE, Canada's largest com-pany, fell 75 cents in active trading to C\$53.85, with investors said to be profit-taking

Toronto was lower in midses

results later in the day. Rogers Communications eased 5 cents to C\$13.15 on Tuesday's news that it would

after the shares' recent sharp rises. Kinross Gold put on 15 cents at C\$12.55 ahead of

Mexico hit by US weakness

Mexico City reversed an early rise, bending to Supreme Federal Tribunal, overruling an pressure from the weakness on Wall Street, and injunction that had halted discussions on social the IPC index was down 7.55 at 3,160.61 in midsession trade. ADRs of the benchmark Telmex were \$14 easier at \$3314 in New York, while Telmex L shares, the largest issue on the bolsa, declined 8 centavos to 12.54 pesos.

security reform and effectively put on hold all of the government's reform plans. The Bovespa index rose 548.36 to 53,388.

BUENOS AIRES continued its gentle bounce-back, ignoring US influences, and the Merval SAO PAULO picked up 1 per cent in morning index was 3.70 higher at 564.76 by midsession, trade as investors awaited a vote by the adding to gains made on Monday and Tuesday.

S African industrials at five-month low

Johannesburg's industrial shares dropped to a five-month low, Local and overseas investors fled the market after the rand collapsed, nearing its worst-ever level on rumours that the National party might pull out of government.

The industrials index as a sturdy bullion price and

ing the overall index down 80.5 to 6.795.6. Golds, bowever, seen as the only safe haven for investors, sported through 2,000 points for the first time in 17 months, adding more than 2.5 per cent

plunged 203.6 to 7,939.8, pull-

the weak rand benefited the shares. The golds index jumped 51.5 to 2,907.5. De Beers finished 25 cents

softer at R140, Sasol retreated R1.45 to R41.75 and Sappi surrendered R2.05 to R47.75, but Freegold climbed R2 to a new high for this year of R51.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES							
	No. of	May 3	Dollar terms	% Change	May 3	eel currency	terme % Change
Market	stocks	1996	over week	on Dec '95	1996	over week	on Dec '94
Latin America	g (247)	512.43	-1.1	+8.6	January .		
Argentina	(31)	805.08	-1.5	+8.1	529,285,94	-1.8	+7.7
Brezil	(68)	332.75	-0.3	+9.0	1,235.14	-0.3	+11.2
Chille	(43)	731.14	-0.4	-2.3	1,191.72	-0.2	-23
Colombia ¹	(15)	651.54	+3.2	8.8+	1,225,99	+4.0	+16.8
Mexico	(65)	524.63	-2.6	+15.8	1,691,27	-1,5	+123
Peru	(20)	211.29	-0.2	+7.1	309.74	+0.7	+11.6
Venezuela ³	(5)	453.85	-6.5	+35.7	4.867.21	-6.7	+86.5
Ania	(631)	271.81	+0.1	+17.1			
Ching	(23)	59.80	-4.7	+10.5	62.87	+4.7	+10.8
South Karee	(145)		-0.5	+7.3	136.18	-0.6	+7.6
Philippines	(35)		+0.9	+11.7	365.92	B.D+	+11.3
Telwan, China			+1.1	+24.3	142.92	+2.0	+23.7
india ⁷	(76)		-1.3	+30.0	128.15	-0.3	+27.7
Indonesia*	(44)	124.47	-3.8	+13.5	157.53	-3.7	+15.6
Malaysia	(123)	326.19	+0.1	+21.0	302.12	+0.1	+18.9
Pakistan*	(25)	278.04	45.3	+14.6	440.00	+5.3	+18.7
Srl Lanka**	(5)		•1.9	+4.9	130.43	-1.3	+7.9
Thailand	(72)	382.14	+2.1	+1.7	389.37	+2.0	+2.0
Euro/Mid Ess		142.66	-0.2	+0.0	400.0 .	12.0	
Greece	(47)		+0.2	+0.5	399.73	+0.3	+3.3
Hungary ⁿ	(8)		+3.6	+56.8	274.17	+3.2	+89.4
Jordan	(8)		0.0	-3.8	265.74	0.0	-3.8
Polend ^e	(22)		+0.7	+52.4	1.087.68	+0.8	+64.3
Portugal	(26)		+0.8	+6.0	132,52	+1.3	+11.5
South Africa		236.14	-1.0	-6.5	214.17	-1.6	+10.3
Turkey	(54)	149,88	-0.8	+43.4	5.361.22	+2.8	+79.4
Zimbabwe	(5)		+1.8	+31.5	522.02	+1.5	+38.4
Composite	(1116)		-0.4	+10.1	UZZ.UZ	71.0	100.4

Indicus are calculated at and-week, and weekly changes are percentage movement from the previous Friday. Base date, Dec 1985-100 weekly those in which are, (I)Feb 1 1991; (2)Dec 31 1992; (3,Dec 5 1990;)ODec 31 1992; (5,Dec 3 1992;)ODec 31 1992; (1)Dec 31 1992; (1)Dec

Poland's stock market must grow faster to accommodate potential foreign demand and

Poland's stock market must grow faster to accommodate potential foreign demand and avoid the risk of "speculative hubbles", Mr John P. Birkelund, the head of Dillon Read, warned this week as the Wig index hit a 52-week high yesterday after climbing by 6 per cent in three days, writes Christopher Bobinski in Warsov.
"The Warsaw Stock Exchange is still too thin and too small," he said of the market, established five years ago, which currently quotes 73 stocks whose capitalisation yesterday stood at \$8.1bn. The Wig indicator has risen by 74 per cent since the end of last year.

Mr Birkelund was in Warsaw for a meeting of the US Congress financed Polish American Enterprise Fund, which has \$340m worth of public and private funds invested in Poland. He praised the WSE anthorities for running the most "transparent" of the markets in the former Soviet bloc countries. But he is also looking to the government and managers of 15 funds established last year under the country's Mass Privatisation Programme to speed public offers and not allow the growth of the WSE to lose momentum.

Index Index

341.17 284.97 139.10 271.89

168.57 163,74 233.69

231.32 148.39 194.40 198.51

-0.4 205.82 139.24 165.93 179.28

228.18

279.09 345.73 168.92 347.20 182.47 178.71 224.73 280.55

200.41

182.76 261.42 117.03 141.96 253.60 157.81

The FT/SSP Actuaries World indices are owned by FT-SE international Limited. Goldman, Sectle & Co. and Standard & Poor's. The Indices are compiled by FT-SE tribs Goldman Sectle in conjunction with the Faturity of Actuaries and the institute of Actuaries. NatiVest Securities Ltd. was a co-founder of the Indices.

-0.5 2.12

208.87 198.22 198.04 296.04 189.53 194.57 185.22 421.37 274.79 82.93 180.93 180.93 1226.37 290.78 61.35 245.45 353.67 345.13 226.78 181.98 181.98 181.98

239,28 206,95 296,52 173,51 167,39 235,43 189,34 291,77 165,37 238,73 238,76

FT/S&P ACTUARIES WORLD INDICES

207.70

101.49

184.54 .166.50 .421.27

1227.71

431,36 360.31

237.30

.207.03 .295.47 .171.99

1204.41 285.84 60.17 242.70 423.18 353.47 172.65 337.25 232.80 179.04 224.73 256.61

233.90 203.10 299.87 168.72 182.94 245.63 186.18 286.92 184.06

Figures in pe

Belgium (31).

Speln (37) .

EUROPE

Bourses weakened by Dow, rate worries

May 7

1666.25 1666.01 1706.91 1710.16

weakness on Wall Street, put pressure on bourses. ZURICH, which closed before the Dow's morning low, still dropped 1.4 per cent, the SMI index losing 49,5 at 3,534.1.

Core blue chips were led down by Roche certificates, which fell SFr135 to SFr9,405. Other pharmacenticals remained weak, with Ciba falling another SFr14 to SFr1,348 and Sandoz down SFr15 to SFr1,270. Goldman Sachs, however, reiterated its priority list recommendations for both companies, expecting that their merger into Novartis would go ahead by the end of the summer in epite of the EU

anti-trust inquiry.
Rate worries left financials weaker. UBS lost SFr10 to SFr1,218, while Winterthur, which reported a 15.1 per cent rise in 1995 net profit, was down SFr5 at SFr760.

Adla was suspended as the market digested news of its planned merger with France's Ecco into the world's largest temporary employment agency. Mr David Sheridan at James Capel, who was upbeat on Adia's outlook before the news, said that he was more positive on the company's prospects after the merger. He raised his 12-month target share price for Adia from with SFr265 at Tuesday's close.
AMSTERDAM backed off as Unilever went ex-dividend, as KLM dropped on a broker's earnings downgrade, and as profits were taken in financials. The AEX index fell in line with Zurich, off 8.03, or 1.4

Unilever, net, fell in line with the market. KLM and the financials ING and ABN Amro underperformed: the airline shed Fl 2.70 at Fl 60.20 after Theodor Gillsen cut its 1996-97 earnings estimate from FI 6.50 to FI 5.25 a share, saying that the carrier faced increased competition and rising costs; ING fell F1240 to F131.50 and ABN Amro F11.50 to F188.40. Speculators had to be quick.

investor was building a limited stake. At the close the gain was 30 cents at Fl 15.30. FRANKFURT had an uncomfortable afternoon but, in the end, the Ibis Dax index indicated a below-average decline of 20.01 to 2,456.78. Dealers

DM8.1bn to DM7.7bn, took any edge off this performance. There were individual winners. SGL Carbon, down DM7

FT-SE Actuaries Share Indices Hourly changes FT-SE Europeack 100 1656.84 1665.00 1684.89 1650.83 1660.19 1656.02 1635.66 1654.88 FT-SE Europeack 200 1708.33 1707.84 1707.77 1705.30 1704.69 1700.47 1702.29 1699.30 per cent, at 551.56.

to DM141 on Tuesday after Hoechst said that it was going to sell its remaining 50 per cent stake in the company before the end of this year, looked again at a 55 per cent increase in first-quarter profits and, said Mr Udo Becker at Merck Finck in Düsseldorf, at good prospects for the second and third quarters of this year. The The engineering consultancy shares soared by DM15 or 10.6 Heidemij was up 70 cents, or nearly 7 per cent, at Fl 15.70 at per cent to DM156.

In blue chips, Hoechst itself one point on rumours that one fell in company with BASF and Merck, closing DM9.60 or 2 per cent lower at DM471.40. However, Volkswagen did well, ris-ing DM7 to DM522 on a surge in first-quarter profits, and the forecast of a slight increase for the full year. MILAN viewed Wall Street's

said, however, that relatively weakness as an excuse for further profit taking and the Comit index fell 6.32 to 653.91. low turnover, down from UBS, however, said that its gemble on Italy had paid off, but it was in no hurry to take

profits and to move on "Even after gaining 13 per cent in April, it still seems one of the better European markets to be invested in over the next few months." UBS said. Among insurers, Ina fell L14

1679.81

1728.01

Open 10.39 11.00 12.00 13.00 14.00 15.00 Close

1681.27

1725.47

May 3 May 2

THE EUROPEAN SERIES

Apr 30

to L2,278 and Ras was L217 down at L17,068 after both groups reported sharp rises in 1995 profits, recovering from the problems faced in 1994 when write-downs hit investment portfolios. Generali, which reported results on Tuesday, lost L721 to L38.456.

The telecoms sector was weak, with Tim down L74 to L3,269; some dealers were say-ing that the Fininvest-British Telecom link-up could pressure the group STOCKHOLM saw Ericsson

buck the market's broadly weaker trend as the telecoms group reported a better than expected 28 per cent jump in first-quarter pre-tax profits. The Affärsvärlden General index eased 7.3 to 1,947.1, dragged down by the forestry. sector, which lost 1.2 per cent. Ericsson picked up SKr1.5 to SKr144, while among the day's other corporate reporters, Scania edged down SKr0.50 to SKr189.50 and Nordbanken

picked up SKr1.5 to SKr117. HELSINKI was pulled back as Nokia A hit an intra-day low of FM172, off FM6, ahead of the telecom group's first-quarter figures today; but dealers then saw the Ericsson progress report, Nokia ended at FM175 and the Hex index down a per-

centage point at 1,985.28. Raisio, weakened on Monday by a profits warning, climbed back into record territory on the excitement over its new margarine, Benecol, ending FM10 higher at FM175.

Among aarly closing mar-kets, VIENNA ended flat in spite of a disappointing first quarter at AMS, which left the chipmaker down Sch96 or 7.4 per cent at Sch1,199. The ATX index closed 0.89 higher at 1,110.99. BUDAPEST added to its string of highs with the Bux. index up 67.42 or 2.4 per cent at 2.857.37, but TEL AVIV was ied about a rise in the sheker and the Mishtanim index elid 2.78, or 1.4 per cent, to 201.56.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei recovers after four-session 3.3% loss

nation awaited clear results

from the general elections.

Tokyo

Bargain hunting lifted share prices and the Nikkei average recovered 1.1 per cent, following a 3.3 per cent loss over the previous four trading days, writes Emiko Terazono in

The 225 index closed up 283.82 at the day's high of 21,728.60 after a morning low of 21,432.48. In early trading the overnight decline on Wall Street weighed on investor confidence; but eventually bargain hunting by domestic institutions prevailed

Volume totalled 440m shares, against 450.1m. Domestic insti-tutional buying offset arbitrage unwinding, while individual investors and dealers targeted speculative stocks.

The Topix index of all first section stocks rose 10.71 to 1.681.18 and the Nikket 300 by 2.16 to 316.85. Advances led declines by 660 to 404, with 172 issues unchanged.

index eased 0.89 to 1,459.84. Traders said some domestic institutions were increasing their exposure to companies expected to report favourable earnings ahead of next week's start of the annual results season. "Confidence is not strong enough for buying across the board, but some investors have

Japanese broker. High-technology chares gained ground on hopes that demand for semiconductors in the US, which had been declining in recent months, was about to bottom out. The electrical engineering sector rose 1.3 per cent, Hitachi gaining Y10 at Y1,110 and Toshiba Y12

started stock picking," said a

at Y812. Carmakers advanced 1.4 per cent after their recent decline on the rise in the yen. Toyota Motor rose Y30 to Y2,370 and Nissan Motor YII to Y863.

Speculative favourites fluctuated wildly. Sakal Heavy industries, the most active issue of the day, rose Y150 to Y1,590 and Topcon, a medical optical instrument maker. gained Y90 to Y1,650. Janome

212.18 199.28 215.61 170.25 162.63 305.17 278.11 196.39 174.36

451.19 277.39 63.57 154.79 585.09 1313.81

201.80 85.49 255.75 465.21 437.76 179.86 362.28 262.34 163.85

245.84 211.35

182,68

Local Currency Index

186,86 178,43 148,42 148,30 154,18 160,11 125,57 269,96 122,60 190,25 237,11 150,46 161,52 151,43 131,13 334,42 418,49 218,09 248,11 62,37 62,57 190,96 274,91 10111,05 120,78 264,57 72,57 196,96 219,89 342,41 279,10 284,88 148,43 170,98 271,92 144,43 170,98 144,43 176,38 162,37 123,84 162,37 123,84 162,37 123,84 162,37 123,84 162,37 170,09 271,92 144,43 176,38 162,37 170,09 271,92 144,43 176,38 162,37 123,84 176,38 162,37 223,14 176,38 176

201.13 183.27 263.04 117.93 142.72 254.77 157.96 251.12 147.11

175.45 212.80 228.93 242.93

206.66 139,11
181.56 122.22
203.59 137.04
155.71 104.81
155.74 107.34
291.34 198.11
180.57 125.69
162.60 109.45
414.69 278.14
270.43 182.05
161.63 105.91
162.86 113.74
266.17 192.63
160.05 237.54
243.01 192.55
243.01 192.55
243.01 192.55
243.03 153.58
173.57 115.83
339.63 222.54
225.74 152.25

257.49 173.22 225.48 173.22 225.48 173.22 225.47 137.10 1 225.82 126.43 23 170.78 114.94 13 184.36 124.10 148 151.89 129.21 202 7.14 129.29 231.51 138.37 185.68 7 158.17 189.49 138.35 187

210.65 207.31 138.35 187.19 180.09 214.52 181.82

Sewing Machine, which had been actively bought over the past few trading sessions, fell Y120 to Y2,020 on profit-taking. In Osaka, the OSE average moved up 54.38 to 23,809.71 in volume of 39.7m shares.

Roundup Political analysts worried after Tuesday night's predictions of a hung parliament in India, saying that a congress/left coalition could slow political reforms. After an initial fall,

however, foreign institutional

investors bought aggressively,

and BOMBAY's 30-share index

closed 54.38 or 1.5 per cent up

at 3,787.25, having registered a day's low of 3,658.91. Traders said the market was extremely volatile, as the

However, the foreign institutions bought into a sheaf of stocks, including Reliance, which reported net profits up from Rs10.65bn to Rs13.05bn, and rose Rs5 to Rs251.25 with some 6m shares traded. KARACHI seemed to be

going nowhere at midsession, as news of another bomb blast in the Punjab weighed apon sentiment. However, the suc-cessful sale of a 26 per cent strategic stake in the state-run Banker's Equity seemed to turn the mood and the KSE-100 index closed 35.76 or 2.1 per cent higher at 1,761.04 in volume up from 12.15m shares

MANILA climbed 1.7 per cent to an 18-month peak on tors, the composite index ris-ing 51.78 to 3,066.05 in 12.9bn shares dealt worth 2.97bn pesos. PLDT, described as oversold, rose 70 pesos or 5 per cent to 1,460 pesos after rumours that the telecoms group's first quarter net income would be better than expected. SINGAPORE and KUALA

encouraging economic indica-

LUMPUR subsided after overnight weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLSE composite 10.15 at 1,151.79, investors in both markets were also concerned by Malaysian finance minister Mr Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in

SEOUL took profits, and the

composite index fell 10.07 to 976.77 after a 1996 intra-day high of 992.07. News that the government would allow financial companies to raise their paid-in capital by a total of Won700bn in the third quarter shook share prices in late trading, the banking and financial sub-indices failing by 1.2 and 1.3 per cent respectively.

SYDNEY saw profit-taking in resource stocks and weaker profits from News Corp, which left the latter 15 cents lower at A\$7.05 as the All Ordinaries index eased 9.80 to 2,298.50. HONG KONG, short of impetus, left the Hang Seng index 84.85 lower at 10,617, while SHANGHAI Bs slid 0.716 or /.4 per cent in 50.836, under pressure from late liquidations by foreign investors.







FINANCIAL ZYESTL

A conference convened by

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS and CENTRE FOR FOREIGN INVESTMENT AND PRIVATIZATION in association with

FINANCIAL TIMES and FINANCIAL IZVESTIA

London, 20 & 21 May 1996



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15 July 15 Jul

B STOCK BUTTON

Opening Address: A Kazakov, Deputy Prime Minister, Chairman, State Property Committee,

G de Selliens, Deputy Vice President and Director of Russia Team, EBRD SESSION 1: RUSSIAN FINANCIAL MARKETS - WHAT ARE THE PROSPECTS?

STATE OF THE RUSSIAN STOCK MARKET

D Vasiliev, Chairman, Federal Commission on Securities and Stock RUSSIAN FINANCIAL MARKETS: SPECIFICS OF DEVELOPMENT

5 Aleksashenko, First Deputy Chairman, Central Bank of Russia PRIVATIZATION: NEW OPPORTUNITIES I Lipkin, First Deputy Chairman, Federal Property Fund, Russia FINANCING THE STATE BUDGET: ROLE OF GOVERNMENT BONDS

B Zlaticia, Head of the Securities Department, Ministry of Finance, Russia SESSION 2: RUSSIAN CAPITAL MARKET INFRASTRUCTURE AND REGULATORY ENVIRONMENT

LEGISLATION OF THE RUSSIAN STOCK MARKET ACTIVITIES: WAYS OF DEVELOPMENT

R Orekhov, Head, State Legislation Department, Presidential Administration and First Deputy Chairman, Federal Commission of Securities and Exchange, Russia RUSSIAN STATE DUMA: REGULATING GOVERNMENT

SECURITIES MARKET
M Zadomov, Chairman, Budget Committee, State Duma, Russia STATE ANTIMONOPOLY REGULATION OF THE STOCK MARKET V Belov, Deputy Chairman, State Antimonopoly Committee

STATE SECURITIES MARKET INFRASTRUCTURE Speaker from Moscow International Currency Exchange (MICEX) SESSION 2: RUSSIAN CAPITAL MARKET INFRASTRUCTURE

RUSSIAN STOCK MARKET DEVELOPMENT: INSTITUTIONAL D Ponomarey, President, PAUFOR

REGIONAL STOCK MARKETS IN RUSSIA V Korovicin, Director, Foreign Investments, Federal Stock Corporation INFORMATION AND TRADING SYSTEMS: FUTURE PROSPECTS K Merzlikin, General Director, Interfax-Dealing

OVER-THE-COUNTER TRADING A Datsenko, General Director, Moscow Partners (Securities) RUSSIAN ISSUERS: TRENDS AND PROSPECTS A Kushnarev, Managing Director, CFIP Financial Management Group

EMERGING REGISTRATION SERVICES D Shatiloff, President, National Registration Company

SESSION & RUSSIAN CORPORATE SECURITIES GAZPROM SHARES AND STOCK MARKET: WHAT TO EXPECT Speaker from Gazprom DEPOSITORY RECEIPTS: WHY ISSUE? V Schmidt, Vice President, LUKoil SURGUTNEFIEGAS SECURITIES: TARGETED TO THE WORLD . STOCK MARKETS N Olshanova, Deputy General Director, Surgutneftegas

INITIAL PUBLIC OFFERINGS: FUTURE PROSPECTS

SESSION 4: ECONOMIC PROGRAMMES OF THE

IMPLICATIONS FOR RUSSIAN FINANCIAL MARKETS

C Granville, Head of Research, United City Bank

Panel discussion with Senior Representatives from the Communist Party of the Russian Federation; the Liberal Democratic Party of

PRESIDENTIAL CANDIDATES PARTIES

Russia; "Our Home is Russia" and "Yabloko

R Simonian, First Vice-President, Rosneft SESSION 6: RUSSIAN CORPORATE SECURITIES UNIFIED ENERGY SYSTEMS OF RUSSIA AND ITS SUBSIDIARIES A Lopatin, Director, Department of Securities, UES

TELECOMMUNICATIONS: IN NEED OF DEBT AND EQUITY FINANCING V Boldin, Ministry of Communications, Russia FINANCIAL AND INDUSTRIAL GROUPS AS INVESTMENT

TARGETS I Ermakova, Chairman of the Board, "Ruschim" SESSION 7: GOVERNMENT SECURITIES

RUSSIAN CENTRAL BANK AND GOVERNMENT SECURITIES A Kozlov, Deputy Chairman, Head of the Securities Department; -Central Bank of Russia

GOVERNMENT BONDS: TODAY AND TOMORROW 5 Gorbachev, Member of the Board, Alba-Aliance Bank MINFIN BOND MARKET DEVELOPMENT Y Kondratyuk, Deputy Chairman, International Moscow Bank

SESSION 8: PANEL DISCUSSION - POLITICAL AND FINANCIAL RISKS IN RUSSIA

S Aleksashenko, First Deputy Chairman, Central Bank of Russia M Urnov, Head of the Analytical Directorate in the Russian Presid Prof R Layard, Director, Centre for Economic Performance London

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Position		
Department		
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17.5%, £191.63, Total £1,286.63).

